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Electric and Persian

Index Bureau
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DEPARTMENT OF STATE
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MAY 23 1923
DIRECTOR of the CONSULAR SERVICE

Department of State

MAY 23 1923

DEPARTMENT OF STATE
MAY 23 1923
DIVISION OF
NEAR EASTERN AFFAIRS.

Division of
Political and Economic Information

INDEX BUREAU
891.6463

2 copies sent
copy to Federal Power Com.
MAY 23 1923

PROJECT FOR HYDRAULIC AND ELECTRIC
STATION IN ARABISTAN

FILED
JUN 4 1923

From Consul
Teheran, Persia,
Date of Preparation
Date of Mailing

Bernard Gotlieb
March 21, 1923
March 21, 1923
March 23, 1923

DEPT. OF STATE
MAY 23 1923
ACKNOWLEDGED

It is reported that Hadji Mointudjar, a promi-
nent local merchant, (who incidentally has just been grant-
ed a 25 year concession of the iron oxide deposits on the
islands of Lark, Hangan, Ghesm and Hormuz, Persian Gulf),
has, together with certain of the more important chiefs of
the Bakhtiary tribes, presented a proposal to the Ministry
of Public Works requesting permission to import, duty free,

an electric light plant, together with hydraulic equipment, for the utilization of the Arabistan waterfalls.

The city of Shushtar is to be electrically lighted, and yarn, cotton, and wool factories established. The project is to be exempt from taxes of all sorts for ten years. Thereafter 5% of the net revenue is to be paid over to the Government. The latter is also to furnish a 10% bonus on any products which the factories may export. The Government is also to furnish military protection and to prohibit the importation of similar machinery into Arabistan during a period of fifteen years.

No definite action has as yet been taken in the premises; the Department will be duly advised of further developments.

Respectfully submitted



Bernard Gotlieb
American Consul

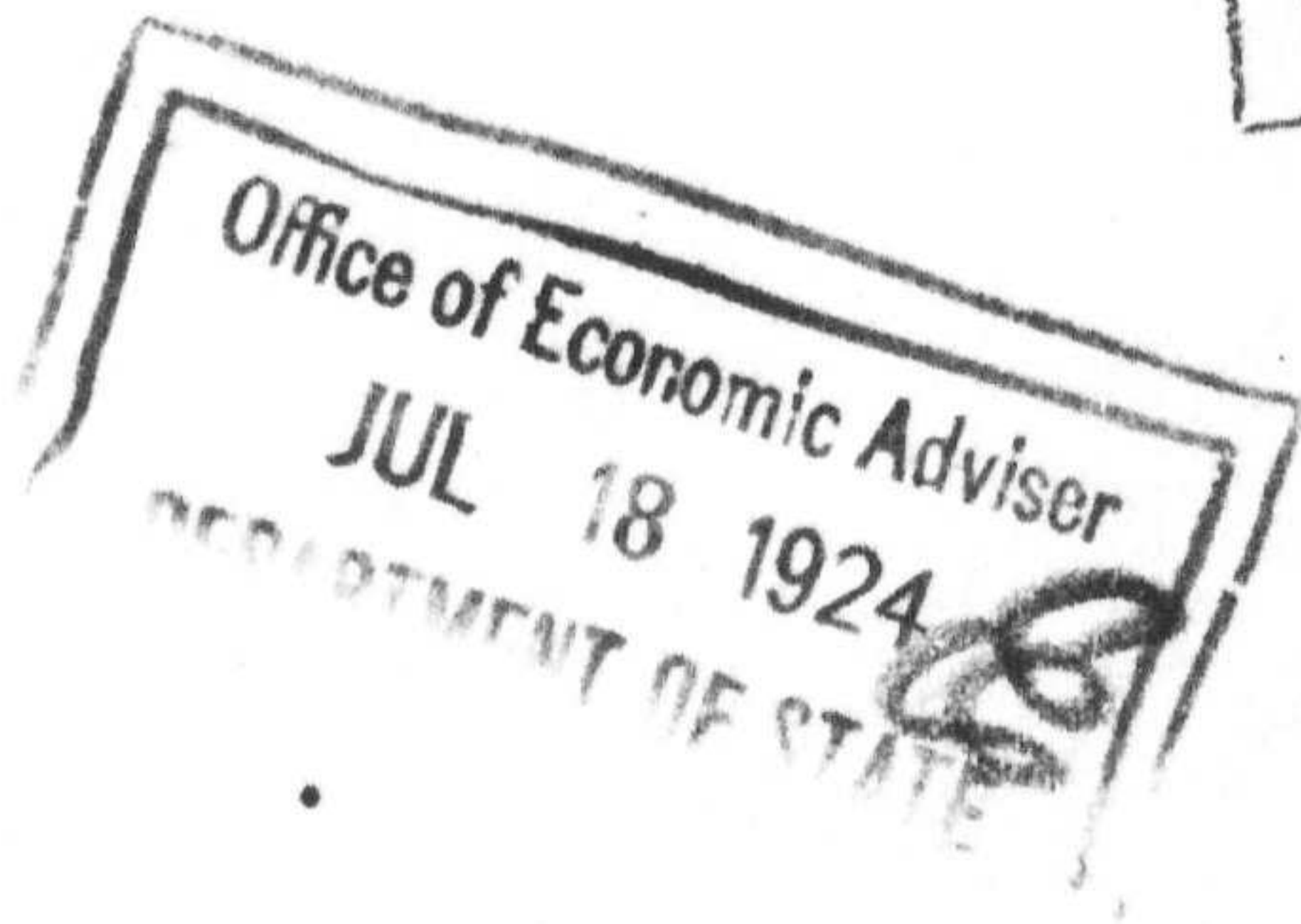
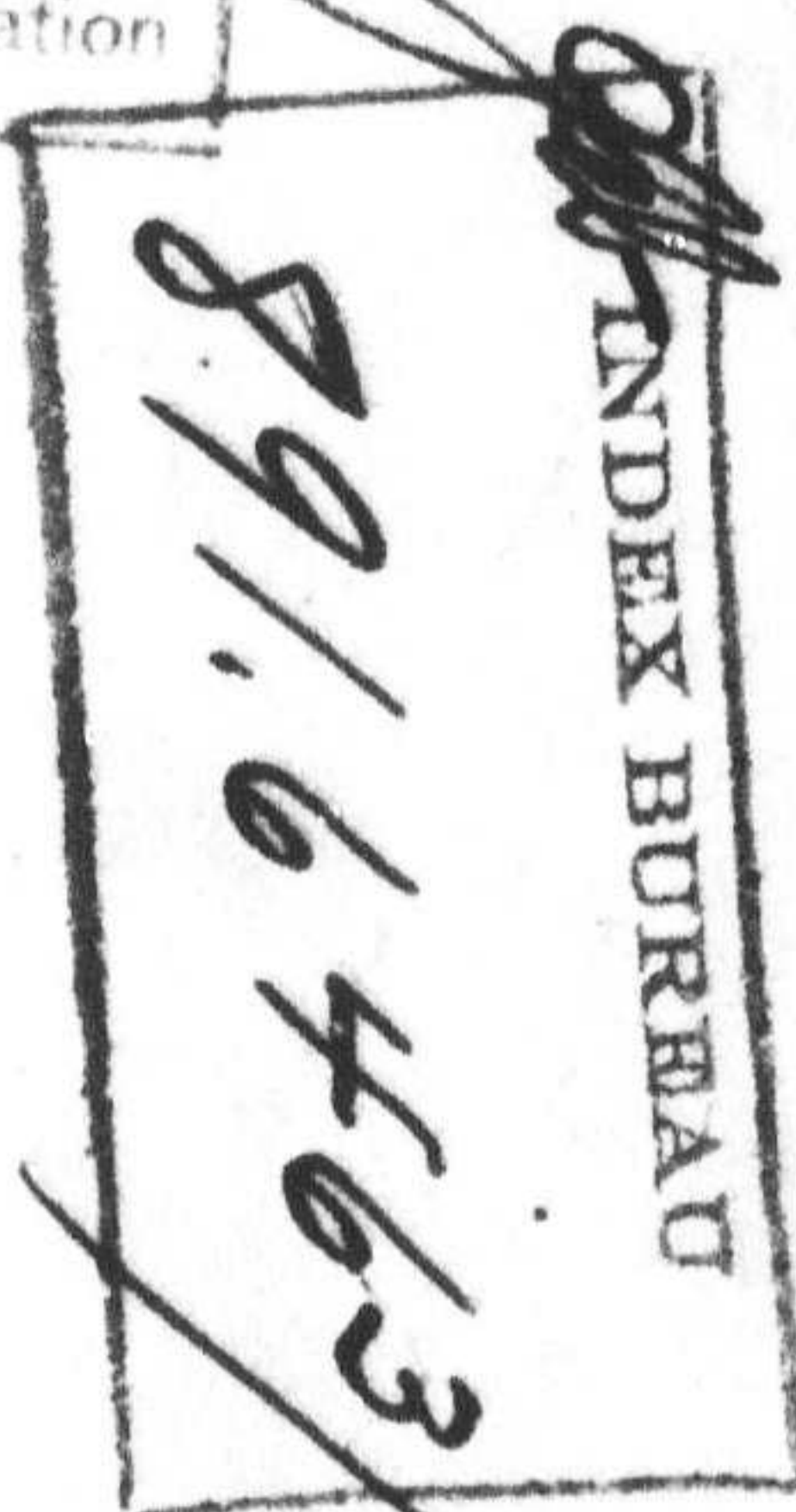
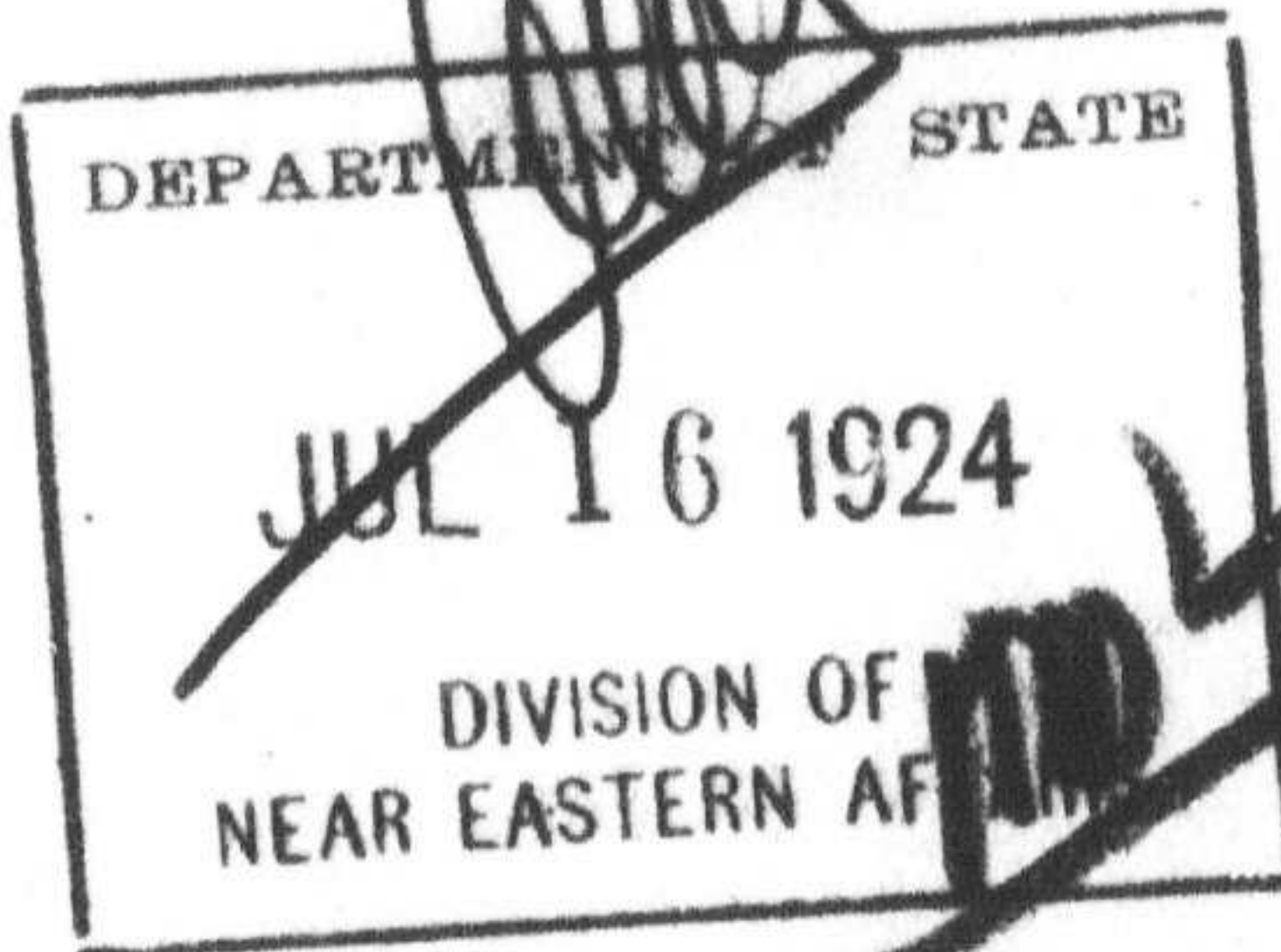
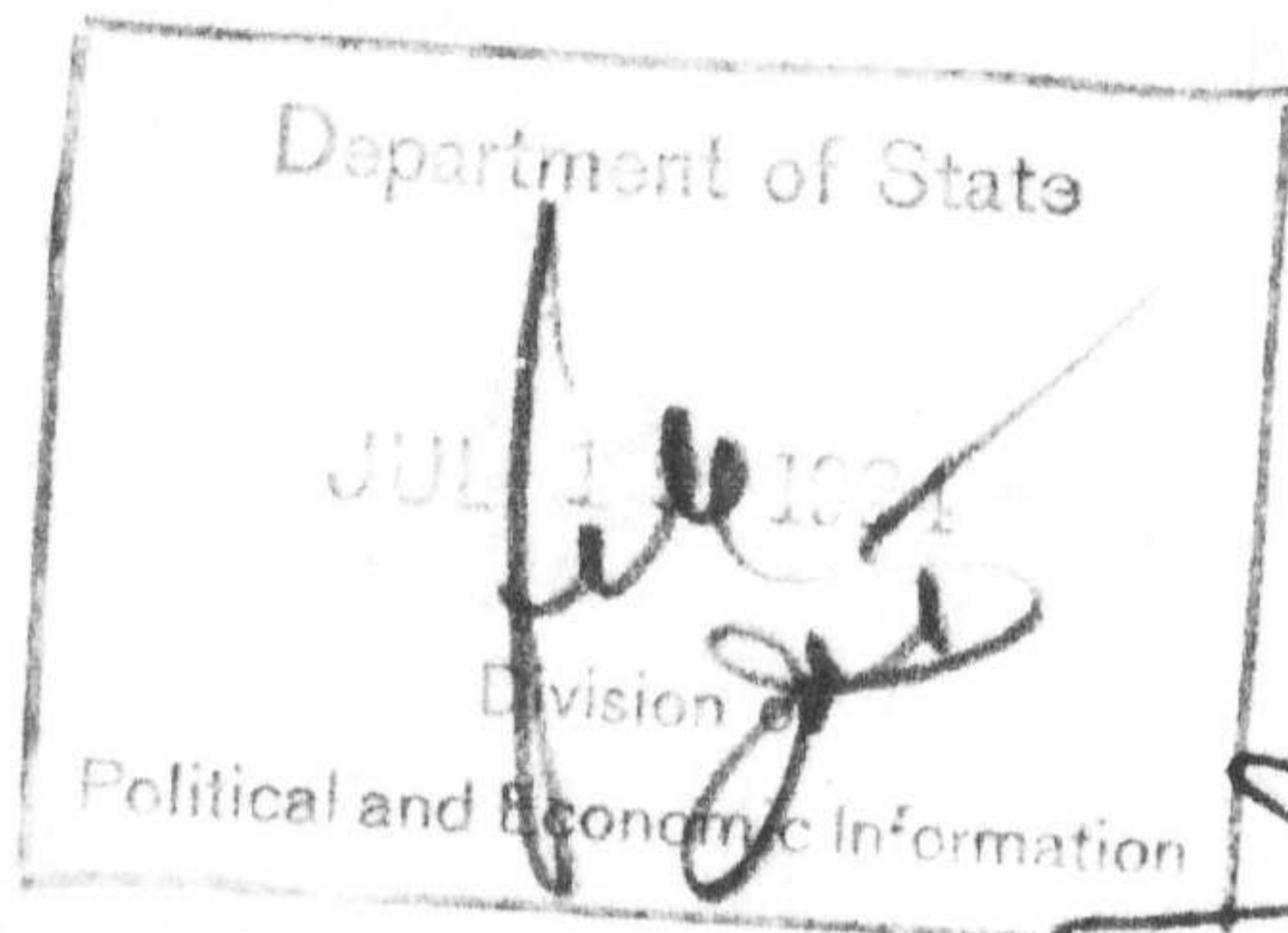


LEGATION OF THE
UNITED STATES OF AMERICA

No. 542

Teheran, Persia,

June 12, 1924.



JUL 19 1924 A

The Honorable

The Secretary of State,
Washington.

Sir:

I have the honor to transmit herewith copy of a proposal submitted by Mr. Charles J. Renner, American Municipal Adviser, to the Municipality of Teheran, to furnish a water supply and electric power to the city of Teheran.

I have the honor to be, Sir,

Your obedient servant,

Joseph H. Crossfield
American Minister.

Enclosure:

Proposal re water and
electricity for Teheran.

Teheran, Persia,
10th April 1924.

To the Acting Chief of the Municipality:

The Municipality of Teheran has been examining the watersheds in the vicinity of the mountains outside of Teheran and the Jajerood valley off and on for a long time. A number of places have been explored with the intent to find a site for dams and a source of water supply. The one that seemed to offer the best opportunities was the valley of the Jajerood River. About 12 to 15 miles of this valley was surveyed, and the riverflow was measured - very roughly, but sufficient to give a preliminary idea as to its value as a water and power producer, and to enable us to evolve a preliminary project. A drawing of the preliminary project created is attached to the concession petition herewith.

We have made no definite estimate of the cost as we have not yet the necessary data. Our main concern has been to find a project that could be made feasible. This project has one or two expensive difficulties, the principal one being a long tunnel; but with further surveys and work we may be able to shorten this.

While the Municipality has done considerable work, the matter is at present in a very primary stage; but it seems that before we go deeper into the project the Municipality should be in possession of a concession. Of course, any people who would be subjected to damage by the Municipality drawing off water would have to be compensated, and perhaps this might mean another storage dam below our present project.

Our rough measurements show stream flows as follows for the Jajerood River:-

On August 13, 1923, about 45 cu. ft. sec. clear;
On Dec. 29, 1923, about 70 cu.ft.sec. clear;
On Feb. 15, 1924, about 196 cu.ft.sec. clear;
On March 10, 1924, about 801 cu.ft.sec, muddy;
On March 28, 1924, about 1450 cu.ft.sec, muddy;

and the watershed is approximately more than 100 square miles above the dam site. Good measurements will involve a year or two, and an expenditure for a weir and other apparatus and examinations.

All of the field work was done by the Municipal Engineering Staff of the Construction Department.

I trust you will present our matter to the Cabinet and that we can get what we are after with as little publicity as possible.

sd) C.J. RENNER

Municipal Adviser.

The Municipality of Teheran, in order to safeguard and keep unto itself the public utilities, does hereby beg and petition the honorable body, the Council of Ministers, to grant unto it the following:-

1. That the Municipality shall have the monopoly of serving itself and its inhabitants with water and electricity.

2. That the Municipality, having made a number of preliminary surveys with the object of obtaining a supply of water for domestic and commercial uses and some electric power in the valley of the Jajerood River, from which it appears that this source can be used if certain engineering difficulties can be overcome, shall be endowed with the exclusive right to dam and store water in the said valley, for the purposes of obtaining water or electric power, particularly from a point one mile downstream from the Amin Abad Tea House, below the Village of Zardaband, and from thence upstream to the source of all its branches.

The Municipality petitions this right, to the exclusion of all other parties, for a period of two (2) years, during which time it shall investigate further and determine whether or not it desires to maintain the concession; and if so, it guarantees to declare the fact by publishing a notice in the newspapers of Teheran, together with a copy of this petition, or to notify the Council of Ministers or the Parliament, which shall automatically extend the concession for a period of fifteen (15) years. If, before the expiration of that period, the Municipality begins to construct works for the supply of water or electric power, then this concession shall become permanent for as long as the Municipality shall continue to use it.

ENGINEERING.

The Municipality, in its Preliminary Project No. 1, of the Jajerood River, has selected a site near the Aminabad Teahouse for the primary dam; to be of full spillway masonry construction, rigid type, about 20 meters high or more, and about 100 meters long; to hold back approximately one billion gallons of water (by raising the dam to 30 meters, storage of about three billion gallons can be obtained).

From the dam to the tunnel, about 2 kilometers of pipe will be needed; it is possible that only a small portion of this need be steel.

The tunnel measures about five kilometers; it will have a section of about five or six feet, and will probably have to be lined with brick or concrete.

From the tunnel approximately six kilometers of steel pipe will be needed to transmit the water to the powerhouse.

The power plant will consist of impulse tangential water wheels, directly connected with a dynamo, so there will be very little electrical loss. It has the further advantage of being located on the road which can be traversed by automobiles, so that machinery and other parts can be sent there easily;

easily; and it is away from the storms of the mountains, therefore only a short electric transmission line is needed, so its electrical losses in that respect are practically negligible.

The water, after going through the powerhouse, follows a lined open channel for a distance of seven kilometers, with here and there a small siphon across the gullies, to the distributing reservoir.

The reservoir in turn delivers it to a system of pipe lines, which supply the inhabitants of Teheran.

In the beginning of the development we hope to take off about twenty-four million gallons of water each day, and to develop about thirty-three hundred horsepower of electricity. This can be doubled later with an additional pipe line. We can also drain off several valleys between here and Jajerood for water in the Spring, when most needed.

INDUSTRIAL.

Annual water collections should be about 80,000 tomans, and the Municipality uses 10,000 tomans more worth to sprinkle streets; in all, about 90,000 tomans spent for water. The actual use of power in Teheran at present is quite limited. The Municipality now pays for electricity approximately 20,000 tomans each year as a consumer, and spends in addition about 4000 tomans as a producer. No doubt private parties who take from the present electric system spend 10,000 tomans more (we have no data concerning this); which makes, in all, about 34,000 tomans spent for electricity. However, the Municipality receives for its 24,000 tomans only approximately 75 H.P. more or less, and for a duration of but five hours each night. With a large electric power available, and cheap, many more people will use electricity, and industry and factories should spring up. There is ample room in Teheran for a good textile industry because Persia produces much wool, cotton and silk. Present indications make it appear that the project, finally developed to its full, will supply more than 8,000 H.P. There will then be enough for tramways, factories, arsenals, and many other purposes, if intelligently used.

ECONOMICAL.

The advent of cheap power will no doubt better the living conditions of many people in and about Teheran, by giving them work. At the same time it will compete with some of the hand-work which is being done in some lines. In the long run, however, it should be very beneficial and raise the standard of living. Sanitary water will be another blessing, even though it might be a little muddy at times.

FINANCIAL.

To accomplish anything at all the Municipality should be in complete possession of its concession. It can then either go ahead and by an internal loan raise sufficient funds to do the work, if such a loan be possible. If not, then the first

step

step after the concession is granted to the Municipality, and after the Municipality makes its final decision, will be to assign the concession to a syndicate. The Municipal Adviser could hold stock in trust for the Municipality and its interests; the Administrator General of the Finances could hold stock in trust for the Ministry of Finance and its interests; and His Highness, the Prime Minister, or his representative, could hold stock in trust for the Government and its interests. To further the work of the project, a commission could be formed by the syndicate, each contributing a certain small sum of money to carry on the necessary surveys, designs, hydrographic drawings and measurements; and when these are completed, if the project is still considered valuable, to arrange the necessary damage settlements in favor of the various parties concerned, and to form a complete and final project. It should then be presented to financiers or contractors, whose business it is to finance such projects, and the company adopting the scheme should receive all the syndicate stock together with guarantees of a subsidy until capital charges are earned.

A rough estimate is as follows:-

100 meter masonry or concrete dam averaging 10 meters high.....	300,000
7 kilometers steel pipe, 30".....	225,000
1 kilometer Brick pipe, 40".....	15,000
5 kilometers tunnel, part lined, 5x6 bore...	450,000
1 Power House.....	40,000
7 kilometer Open lined channel.....	42,000
1 Distributing Reservoir.....	50,000
1 Distributing water pipe system (preliminary)	300,000
1 Electric distributing system (preliminary)	30,000
Incidentals.....	360,000
Cost of financing.....	188,000
	<hr/>
	2,000,000

Note:

We have no data yet of the cost of the various items in Persia, so the above is only to give some sort of a rough general idea, and is for concession purposes only. No reliance should be placed on the above estimate of costs; a better one will be given later, if designs are made and settled upon.

The plan proposes (1) That the Municipality shall enjoy the monopoly of serving itself and its inhabitants with water and with electric power and (2) That the Municipality, having made a number of preliminary surveys with the object of obtaining a supply of water for domestic and commercial uses and some electric power, in the valley of the Jagerood River, from which it appears that this source can be used if certain engineering difficulties can be overcome, shall be endowed with the exclusive right to dam and store water in the said valley, for the purposes of obtaining water or electric power, particularly

ticularly from a point one mile downstream from the Amin Abad Tea House, below the Village of Zardaband, and from thence upstream to the source of all its branches.

ENGINEERING FEATURES.

The Municipality, in its Preliminary Project No. 1, of the Jagerood River, has selected a site near the Aminabad Tea House for the primary dam; to be of full spillway masonry construction, rigid type, about 20 meters high or more, and about 100 meters long; to hold back approximately one billion gallons of water (by raising the dam to 30 meters, storage of about three billion gallons can be obtained). From the dam to the tunnel, about 2 kilometers of pipe will be needed; it is possible that only a small portion of this need be of steel. The tunnel is to measure about 5 kilometers; it will have a section of about 5 by 6 feet, and will probably have to be lined with brick or concrete. From the tunnel approximately 6 kilometers of steel pipe will be needed to transmit the water to the powerhouse. The power plant, as projected, will consist of impulse tangential water wheels, directly connected with a dynamo, so there will be very little electrical loss. It will have the further advantage of being located on the road which can be traversed by automobiles, so that machinery and other parts can be sent there easily; and being away from the storms of the mountains, only a short electric transmission line is needed, so its electrical losses in that respect will be practically negligible. The water, after going through the powerhouse, it is proposed, will follow a lined open channel for a distance of 7 kilometers, with here and there a small siphon across the gullies, to the distributing reservoir. The reservoir in turn will deliver it to

a system of pipe lines, which will supply the inhabitants of Teheran. In the beginning of the development it is hoped to take off about twenty four million gallons of water each day, and to develop about thirty three hundred horsepower of electricity. This can be doubled with an additional pipe line. Several valleys between Teheran and Jagerood can be drained for water in the Spring, when most needed.

Attached to this report, is a drawing giving general plan of this project with altitudes etc..

INDUSTRIAL POSSIBILITIES.

Annual water collections approximate 80,000 Tomans, and as the Municipality uses 10,000 Tomans for street sprinkling, in all, about 90,000 Tomans is spent for water. The actual use of power in Teheran at present is quite limited. The Municipality now pays for electricity approximately 20,000 Tomans each year as a consumer, and spends in addition about 4,000 Tomans as a producer. No doubt private parties who take from the present electric system spend 10,000 Tomans more (no data exists regarding this), which makes, in all, about 34,000 Tomans spent for electricity. However, the Municipality receives for its 24,000 Tomans approximately but 75 H.P. more or less, and for a duration of but five hours each night. With a large cheap electric power available many more people would use electricity, and industry and factories should spring up. There is ample room in Teheran for a good textile industry because Persia produces much wool, cotton and silk. Present indications make it appear that the project, finally developed to its full capacity, would supply more than 8,000 H.P.. There would then be enough for tramways, factories, arsenals, and many other purposes.

SOCIAL ASPECTS.

The advent of cheap power would doubtless better the living conditions of the people of Teheran and would raise the standard of living. Pure water would unquestionably reduce the present high death rate.

COST.

The cost of the project is estimated as follows:

	<u>Tomans</u>
100 meter masonry or concrete dam averaging 10 meters high	300,000
7 kilometers steel pipe, 30".....	225,000
1 kilometer brick pipe, 40".....	15,000
5 kilometers tunnel, part lined, 5x6 bore..	450,000
1 Power House	40,000
7 kilometers open lined channel	42,000
1 Distributing Reservoir	50,000
1 Distributing water pipe system (preliminary)	300,000
1 Electric distributing system (preliminary)	30,000
Incidentals	360,000
Cost of financing	188,000
	<u>2,000,000</u>

CONCLUSION.

The above plan, somewhat elaborated, has been presented to the Cabinet for consideration, together with suggestions as to financing the project. If adopted there would seem to be an opportunity for American manufacturers of steel piping and hydro-electric machinery to place their products.

Respectfully submitted


Robert W. Imbrie
American Vice Consul

Enclosure: One plan

864

RWI:VBB

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No. 99

DEPT. OF STATE

FEB 28 1925

AMERICAN CONSULATE,

FEB 25 1925

Teheran, Persia,

December 30, 1924.

SUBJECT: Enclosing Supplementary Report on
Teheran Hydro-Electric Project.

1-1085

THE HONORABLE

THE SECRETARY OF STATE

SIR:

I have the honor to enclose herewith report No. 45,
entitled "Concession Offered For Hydro-Electric Project".

This project was first reported from this office on
June 20, 1924, in a report entitled "Projected Electric
Power and Water Supply for City of Teheran". That report
was a copy of one made by Mr. Charles J. Renner, an Ameri-
can engineer who was Municipal Adviser. Mr. Renner states
that he did not want his report to be published, but mere-
ly sent to the Department for its information.

As the former report was given considerable publicity
resulting in a number of inquiries being received from A-
merican manufacturers and engineers, it is respectfully
suggested that the report enclosed be given the same pub-
licity in order that firms who received the previous report
may be informed as to the present status of the project.

I have the honor to be, Sir,

Your obedient servant,

George Gregg Fuller
George Gregg Fuller
American Vice Consul

Enc: Report
864
GGF/VBB

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Copies herewith to be sent to
Copy also to

and

Office of Economic Adviser
FEB 28 1925
DEPARTMENT OF STATE

DEPARTMENT OF STATE
FEB 21 1925
DIVISION OF
NEAR EASTERN AFFAIRS

MAR 2 1925

Division of
Economic Information

INDEX BUREAU

MAR 2 1925

STRICTLY CONFIDENTIAL

AMERICAN FOREIGN SERVICE REPORT

No. 45

Date of Preparation: Dec. 25, 1924.

To: Department of State

Date of Mailing: Dec. 31, 1924.

Office: American Consulate, Teheran, Persia.

**Reference to request: Department's Instruction of Oct.
17, 1924 File No. 166.934/31**

Geographical designation: Persia

Schedule No. and Subject: E - 6810 - Water Power

Title: CONCESSION OFFERED FOR HYDRO-ELECTRIC PROJECT

Source: Government Official

**George Gregg Fuller
Officer Preparing Report**

George Gregg Fuller
**George Gregg Fuller
American Vice Consul.**

**Reference to previous reports: "Projected Electric Power
and Water Supply for City
of Teheran" mailed June 20,
1924.**

only

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ONLY PRELIMINARY SURVEY MADE

The proposal to provide the city of Teheran with water and electric power by the construction of a tunnel, and a dam in the valley of the Jagerood River, came from an American engineer, at that time Municipal Adviser. He surveyed 12 to 15 miles of the valley and very roughly measured the river-flow. The result was sufficient for his purpose, namely to enable the municipality of Teheran to present a petition to the government for a concession. Sufficient data was not secured to make a definite estimate of the cost, but his conclusion was, that the project was feasible, that it would cost about 2,000,000 Tomans (at present about \$2,350,000), would supply the city with sufficient water, and develop about 3300 to 6600 horsepower of electricity.

LATER ESTIMATE SHOWS GREATER HORSEPOWER

No further surveys have been made but a further study of the problem by the above engineer indicates that the project is greater than at first expected. He now believes that seven to eight times as much electricity as expected can be developed, while the cost will remain between two million and three million dollars.

TERMS OF CONCESSION REQUESTED BY CITY

The municipality have presented his preliminary report to the Persian Government and petitioned for the monopoly of serving Teheran with water and electricity. The concession shall first be for two years during which the project can be properly investigated. If the municipality decides to undertake the scheme, the concession shall automatically

matically continue for 15 years. If before the expiration of 15 years the municipality has commenced any construction for supplying water or electric power, the concession shall at once become permanent provided the municipality continues to use it. According to the suggestion of the municipality, it shall thus have 17 years before construction need commence.

MUNICIPALITY UNABLE TO DEVELOP

The engineer who was chiefly interested in this project, has resigned as Municipal Adviser, appropriations for further study have ceased, and no action has been taken in reference to the concession. Except for two German engineers now employed in constructing an arsenal, there is no one with sufficient training to direct the undertaking.

Moreover the municipality is without funds and its expenditures are steadily increasing. Without technical and financial help from abroad the project cannot be undertaken for a long time.

READY TO GRANT CONCESSION TO FOREIGN CAPITAL

The Ministry of Public Works have communicated with this consulate, and urge the necessity of developing this project. They state that the Government is without funds to continue the surveys or to commence construction, but that if capitalists in America or any foreign country should take this concession, upon such terms as might be mutually agreeable, they would find the investment profitable and would be doing such a service for the Persians that this government would give them its hearty support.

EXISTING FRANCHISE NO OBSTACLE

Some years ago a franchise to supply the city
with

with electricity was granted to a Persian. This franchise would offer no obstacle as the holder has done no work and is now bankrupt. The government could cancel his concession at any time.

CONSIDERABLE INTEREST SHOWN

Not only have several American firms indicated their willingness to go further into the proposition, but an official of the British Legation recently took a copy of the preliminary report to London. Several wealthy Persians are also interested, and it has been stated that a considerable part of the necessary capital could be raised here. The entire project could not be developed by private Persian capital as the people have no experience in engineering work and would not trust their capital to one of their own countrymen. If the management and control were American, Persian capital could be secured.

FURTHER SURVEY NECESSARY

Before the exact costs and the results can be known, a considerable amount of engineering work must be undertaken. Further measurements of the watershed must be made, records of flow must be kept for at least a year and longer if possible, the rainfall likewise recorded, geological tests made and duration or stream-flow curves drawn. It appears that foreign capital must undertake this work.

The survey already prepared has shown the plan to be feasible, and every attempt was made therein to make the figures as conservative as possible. A final study may show that the costs will be less and the profits from the sale of water and electricity considerable greater, than indicated in the report already submitted.

DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

Office of Economic Adviser

MAR 18 1925

DEPARTMENT OF STATE

March 17, 1925.

Mr. Dulles:

Last Saturday Mr. H. N. Schreiber of the Charles B. Hawley and Company, Incorporated, an engineering concern of Washington, D.C., came in to see me regarding a project for supplying water and hydro-electric power for the city of Teheran, Persia. Mr. Schreiber told me that he had seen the Department of Commerce and obtained some information there, and that he had also called at the Persian Legation. Mr. Schreiber inquired whether we had any information on the subject.

I told Mr. Schreiber that Persia had employed American advisors for the purpose of improving the Municipality of Teheran. As I understood it these advisors had submitted recommendations with respect to the improvement of the water supply of the city. Some of these recommendations had been transmitted to the Department, and I would be glad to get together for him the reports we had bearing on that subject. I also explained to him that Persia had employed American financial advisors who had been working in Persia approximately two and one-half years.

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DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

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In the afternoon on Saturday Mr. Schreiber returned and looked over the reports we had relating to the project of water supply and he expressed his appreciation on receiving the additional information. He said that he would go home with the notes he had taken from these reports and study over the question further and return Monday for further conference.

Yesterday Mr. Schreiber returned and brought with him copies of the reports he had obtained, together with two letters he had received from the American Vice Consul, in Teheran, stating that Persia was desirous of having American firms undertake the work. Mr. Schreiber was somewhat in doubt as to the next step his company might take in the matter. He said that if the company could obtain an option on the project for a certain length of time, they might approach some banking institution and obtain their assistance in financing a mission to Persia to study the project and negotiate for construction work. Mr. Schreiber was informed that if he wanted to submit to the Persian Government an offer for an option, he might do so through the Persian Legation in Washington. It was stated that Mr. Schreiber could then draw up his own telegram and
offer

DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

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offer to pay for it, requesting the Legation to transmit it. However, in case the company desired further information upon the subject, before submitting any offer, the Department would be glad to instruct the American Consul at Teheran to furnish such information as might be requested by him.

Mr. Schreiber was also given the address of Mr. Charles J. Renner, formerly American Municipal Advisor at Teheran, with the suggestion that he might desire to confer with Mr. Renner before taking any further steps in the matter. Mr. Schreiber was informed that the Department understood that the Persian Government would be glad to have American concerns undertake construction work in that country, and that the Department would be happy to render him any practicable assistance.

KC:GEM SS

KC

Noted and
[Signature]

DOCUMENT FILE

NOTE

SEE 891.01A/96 FOR letter
FROM Charles J. Renner () DATED Mar. 6, 1925.
TO NAME 1-1127 070

REGARDING: Enclosing copy of Report of Municipal Commission for
1922-1924.

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Office of Economic Adviser

APR 16 1925

DEPARTMENT OF STATE

Index Bureau
RECEIVED

APR 9 1925

Dep't. of State

TELEGRAM RECEIVED

This cable
was received
in the Depart-
ments Confidential Code

Teheran.
Dated April 9, 1925.

Received 1.05 P. M.

Secretary of State,
Washington.
It should be
closely para-
phrased before
being communica-
ted to anyone

Urgent. 29, April 9, Noon

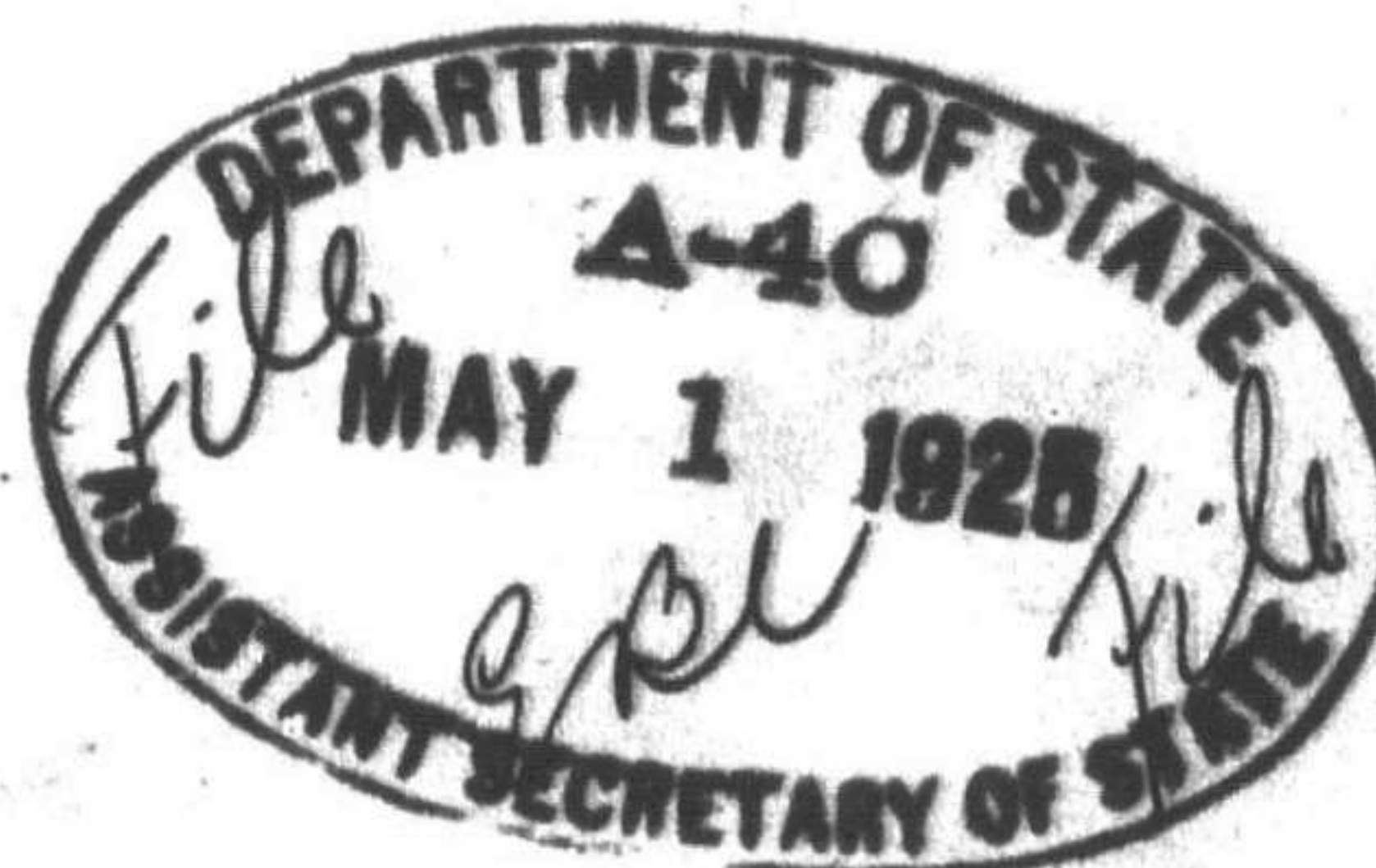
Persian Government desires to know whether

Ulen or Foundation would consider sending an engineer
for preliminary surveys and estimates on hydro-electric
project near Teheran requiring about six months.

Persian Government willing to pay expenses of
engineer on condition that company agree to reimburse
government if and when company accepts contract for
construction. The Persian Government desires to know what
would be expense of engineer for preliminary survey and when
he could arrive in Teheran. Persian Government has received
proposal from British company to undertake survey for
pounds sterling 5 thousand.

WSB

MURRAY



FILED
APR 22 1925

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PARAPHRASE OF A TELEGRAM FROM TEHERAN, DATED
APRIL 9, 1925

The Government of Persia is desirous of ascertaining whether the Ulen or Foundation Companies would be willing to send engineer to Persia for the purpose of making a preliminary survey and to submit an estimate on a hydro-electric undertaking near Teheran. Approximately six months may be required for the work. Persia is prepared to pay the expenses of the engineer on the condition that the company will agree to reimburse the government if and when the construction contract is accepted by the company. The Persian Government desires to ascertain what the expenses of an engineer would be for the preliminary survey and when he could arrive in Teheran. British company has submitted proposal to undertake survey for five thousand pounds sterling for the Persian Government.

MURRAY

April 16, 1925

In reply refer to
RE 891.6463/5

Messrs. Ulen and Company,
120 Broadway,
New York City.

Sirs:

The Department is in receipt of a telegram, from the American Legation at Teheran, which, paraphrased, reads as follows:

"Persian Government desires to know whether Ulen and Company or the Foundation Company would consider sending an engineer to Persia for the purpose of making the necessary preliminary surveys and estimates for a contemplated hydro-electric project near the city of Teheran.

The Persian Government adds that the necessary preliminary investigations would require about six months and that it is willing to pay the expenses of an engineer so detailed, on the condition that the company

agrees

891.6463/5

agrees to reimburse the Government for such expenses if and when the company accepts a contract for the proposed construction work. In this connection the Persian Government desires to know what would be the expense of an engineer assigned to conduct the desired preliminary survey and when he could arrive in Teheran. It states further that a proposal has been received from a British company offering to undertake the indicated survey for five thousand pounds sterling."

In bringing this matter to your attention the Department desires to add that, as requested by the Persian Government, it is today addressing to the Foundation Company, of 120 Liberty Street, New York City, a letter in the above sense.

The Department will be pleased, should you so desire, to telegraph to its representative at Teheran, for communication to the Persian Government, such reply as you may wish to make to the proposal contained in the foregoing telegram.

I am, Sir,

Your obedient servant,

For the Secretary of State:

LELAND HARRISON

Assistant Secretary.



113
APR 15 1925
62
RE-CH/CC
W.

April 16. 1925

In reply refer to
IS 891.6463/5

Foundation Company,
120 Liberty Street,
New York City.

Sirs:

The Department is in receipt of a telegram, from
the American Legation at Teheran, which, paraphrased,
reads as follows:

"Persian Government desires to know
whether the Foundation Company or Ulen and
Company would consider sending an engineer
to Persia for the purpose of making the
necessary preliminary surveys and estimates
for a contemplated hydro-electric project
near the city of Teheran.

The Persian Government adds that the
necessary preliminary investigations would
require about six months and that it is will-
ing to pay the expenses of an engineer so de-
tailed, on the condition that the company

agrees

891.6463/5

agrees to reimburse the Government for such expenses if and when the company accepts a contract for the proposed construction work. In this connection the Persian Government desires to know what would be the expense of an engineer assigned to conduct the desired preliminary survey and when he could arrive in Teheran. It states further that a proposal has been received from a British company offering to undertake the indicated survey for five thousand pounds sterling."

In bringing this matter to your attention the Department desires to add that, as requested by the Persian Government, it is today addressing to Whelan and Company, of 120 Broadway, New York City, a letter in the above sense.

The Department will be pleased, should you so desire, to telegraph to its representative at Teheran, for communication to the Persian Government, such reply as you may wish to make to the proposal contained in the foregoing telegram.

I am, Sirs,

Your obedient servant,

For the Secretary of State:

LELAND HARRISON

Assistant Secretary.

HE-GW/CC

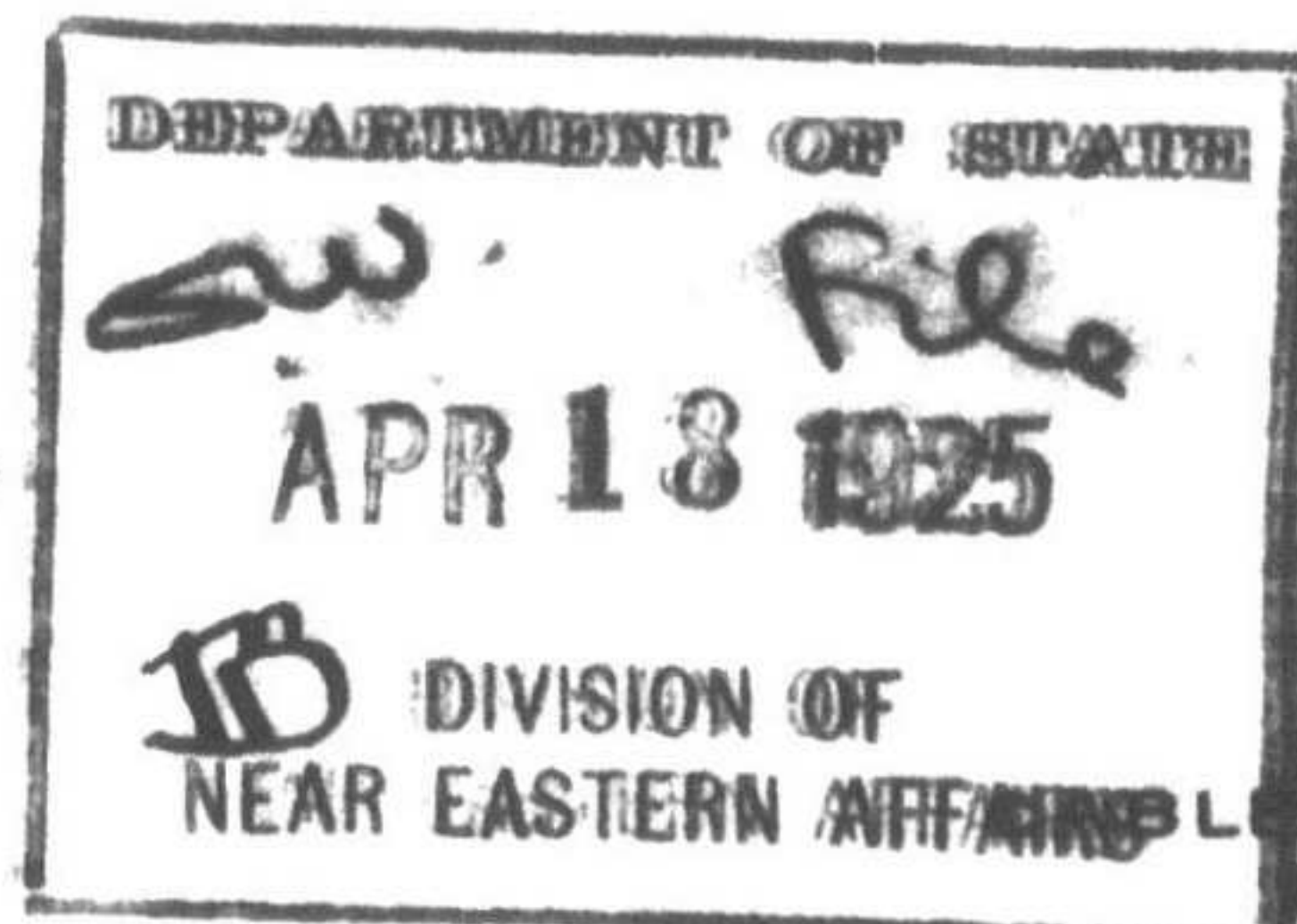
APR 15 1925

C. M. BOUNELL
VICE PRESIDENT

ULEN & COMPANY

120 BROADWAY

NEW YORK



ADDRESS
ULEN

April 17, 1925.

Secretary of State,
Washington, D. C.

Referring to NE 891.6463/5

Dear Sir:

We beg to acknowledge receipt of your letter, written by Assistant Secretary, Mr. Harrison, regarding the request of the Persian Government for an engineer to go to Teheran for the purpose of making preliminary surveys and estimates for a contemplated hydro-electric project near the City of Teheran. In view of the fact that all of our engineers are now, and will be for a certain period of time on engineering work which we have contracted for in Poland, Greece and in South America, we do not believe we would be in a position to furnish an engineer as requested by the Persian Government.

During the past year we have had two representatives at Teheran, and Mr. Addison T. Ruan one of our representatives who has just returned from there, made us a complete report under date of August 20th, 1924 on this same hydro-electric project. At that time we were in a position to give this job proper attention but now, owing to our new work and having become better acquainted with the English competition, which has practically dominated Persia for many years, it seems to us that the business would only amount to an engineering job.

Our negotiators for business know your representatives in Teheran and Mr. Ruan has just stated that they rendered all the help that was possible for them to give in connection with the propositions we had up there and for which we are very grateful.

Be assured of our appreciation of your kindness in this matter, and regretting that we will be unable to furnish a proper engineer for this work, we beg to remain

Very truly yours,

ULEN & COMPANY

By: *C. M. Bounell*

CMB:MD

APR 22 1925
FTT

In reply refer to
ME 891.6463/7
6

April 21, 1925

Messrs. Ulen and Company,
120 Broadway,
New York City.

Sirs:

In acknowledging the receipt of your letter of April 17, 1925, regretting your inability to accept the Persian Government's recent proposal in connection with a projected hydro-electric installation near Teheran, the Department desires to express its appreciation for your courteous acknowledgment of the assistance which its representatives at Teheran were able to afford your company during the past year.

I am, Sirs,

Your obedient servant,

For the Secretary of State:

LELAND HARRISON

Assistant Secretary.

ME-GW CC

SW. JB

CE
APR 21 1925



891.6463/6

1B
THE FOUNDATION COMPANY

120 LIBERTY STREET

NEW YORK

April 17, 1925.

File

DEPARTMENT OF STATE

APR 18 1925

DIVISION OF
NEAR EASTERN AFFAIRS

April 21, 1925

Hon. Leland Harrison,
Assistant Secretary of State,
State Department,
Washington, D. C.

Sir:

We have received your letter of April 16th, in reference to the wish of the Persian Government to have an engineer make a survey of a contemplated hydroelectric project. We will be pleased to submit our qualifications, take up the negotiations, and work promptly, thoroughly and energetically on the project. We have quite a large organization on the Continent, and at this time Mr. Franklin Remington, Chairman of our Board, is in Greece.

Do I understand that our proposal is to be submitted to the American Legation at Teheran, or to the Persian Government direct? Will you please wire which procedure is to be followed, so that Mr. Remington can communicate with whoever is in charge of the project and could further arrange to send some one from the organization while he is over there.

We appreciate your kindness and helpfulness in referring this project to us.

With kindest regards, I am

Sincerely yours,

[Signature]
President.

JWD:M

APR 22 1925

INDEXED
891.6463/7

Telegrams
directed to Tehran
and to Foundation Co.
4/20/25
S.H.G.

Assistant Secretary
of State
APR 18 1925
MR. HARRISON

INDEXED
APR 18 1925
Dept. of State

PREPARING OFFICE
WILL INDICATE WHETHER

Collect

Charge Department

Charge to ^{OR} Foundation Co

\$ 2.35

TELEGRAM SENT.

Department of State

Washington,

Green

ED TO.....

RECEIVED

April 21, 1925.

APR 21 1925 11 24 PM

Youn

DEPARTMENT OF STATE
TELEGRAPH SECTION

AMLEGATION

ATHENS (GREECE)

18

You are authorized to transmit to Legation, Taهران,
any messages from Remington of Foundation Company.

Kellogg
H

891.6463/7

891.6463/7

NE-GW/GC

ow. JB

CE

Apr 21 1925.

DISTRIBUTED

PT

Enciphered by.....

Sent by operator.....M.,....., 19.....

21 APR 1925 1 24 PM

TELEGRAPH SECTION

PREPARING OFFICE
WILL INDICATE WHETHER

Collect

Charge Department

on

Charge to

\$

TELEGRAM SENT.

Department of State

Washington,

April 20, 1925.

The Foundation Company,
120 Liberty Street,
New York City.

Reference your letter April seventeenth in answer to Persian Government proposal that engineer be sent to Teheran to make preliminary surveys and submit estimates for hydro-electric project. Department is informing American Legation Teheran that you will be pleased to submit your qualifications, take up negotiations and work promptly and that Mr. ^{Franklin} ~~Frank~~ Remington, Chairman of your Board of Directors, is in Greece and will communicate with the Legation.

Legations at Athens and Teheran have been instructed to facilitate communication between Remington and Persian Government.

891.6463/7

NE GW/LVD/GC

aw.

RB

APR 21 1925.

Frank B. Kellogg
SECRETARY OF STATE

Enciphered by

Sent by operator

M.

PREPARING OFFICE
WILL INDICATE WHETHER

Collect

Charge Department

OR

Charge to *Foundation Co.*

\$ 16.16

TELEGRAM SENT.

Department of State

Washington,

April 20, 1925.

AMLEGATION

TEHERAN (PERSIA)

BILLE

APR 25 1925

BUREAU OF ACCOUNTS.

Your 29, April 9, noon.

You may communicate following to Persian Government.
Ulen regrets unable to furnish proper engineer for hydro-
electric project. Foundation states it will be pleased
to submit qualifications, take up negotiations and work
promptly. Mr. Franklin Remington, Chairman Foundation
Board of Directors, is in Greece and will communicate
further with you through Legation Athens. You may
similarly transmit Persian Government's reply to Remington.
Report developments.

891.6463/7

NE-GW/LVD/GC

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APR 21 1925

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DISTRIBUTED

Kellogg

APR 21 1925

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DISTRIBUTION

Enciphered by

RT

Sent by operator

M.

19

169036

NE

TELEGRAM RECEIVED

RR

FROM

GRAY

Teheran

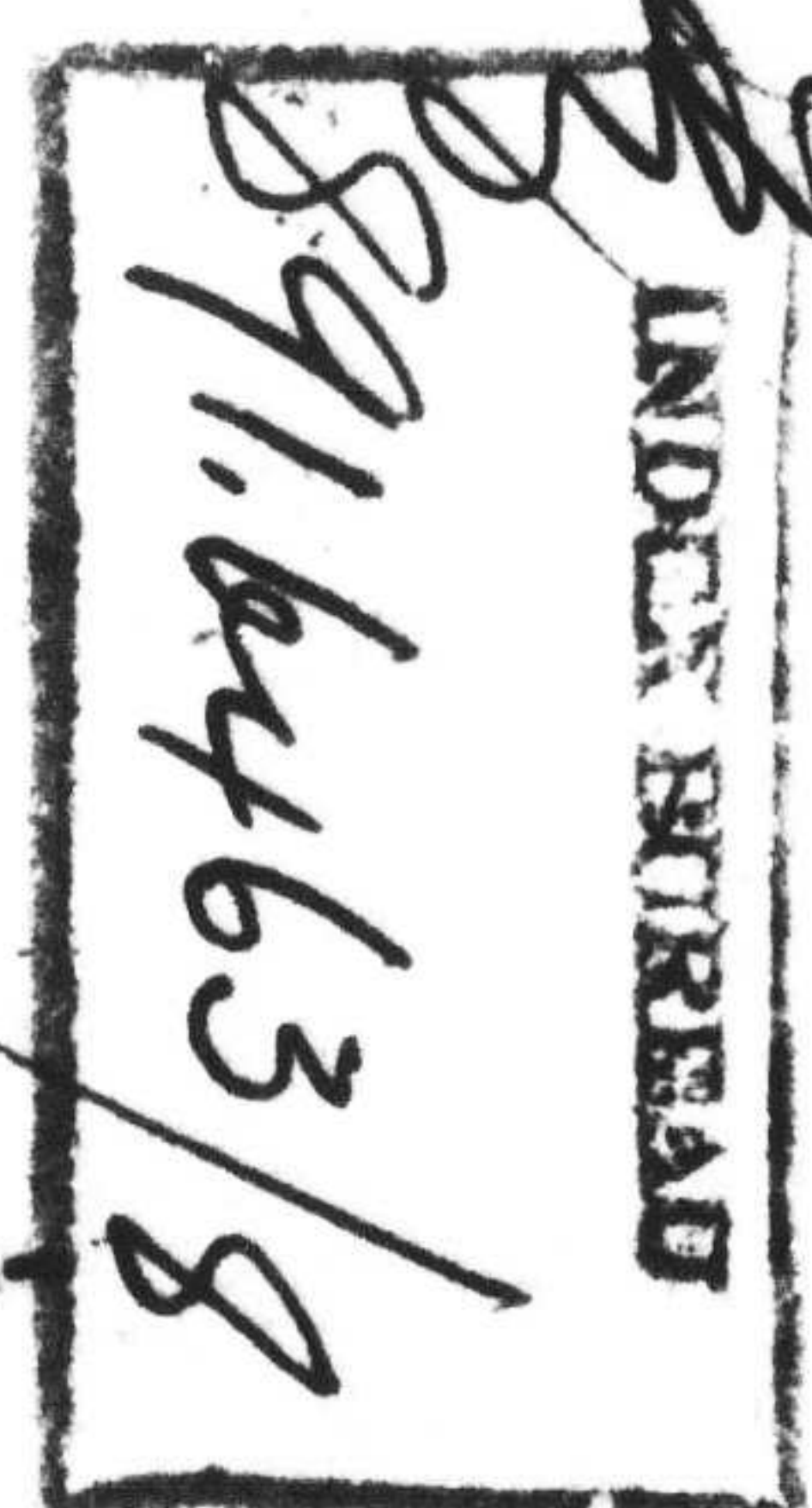
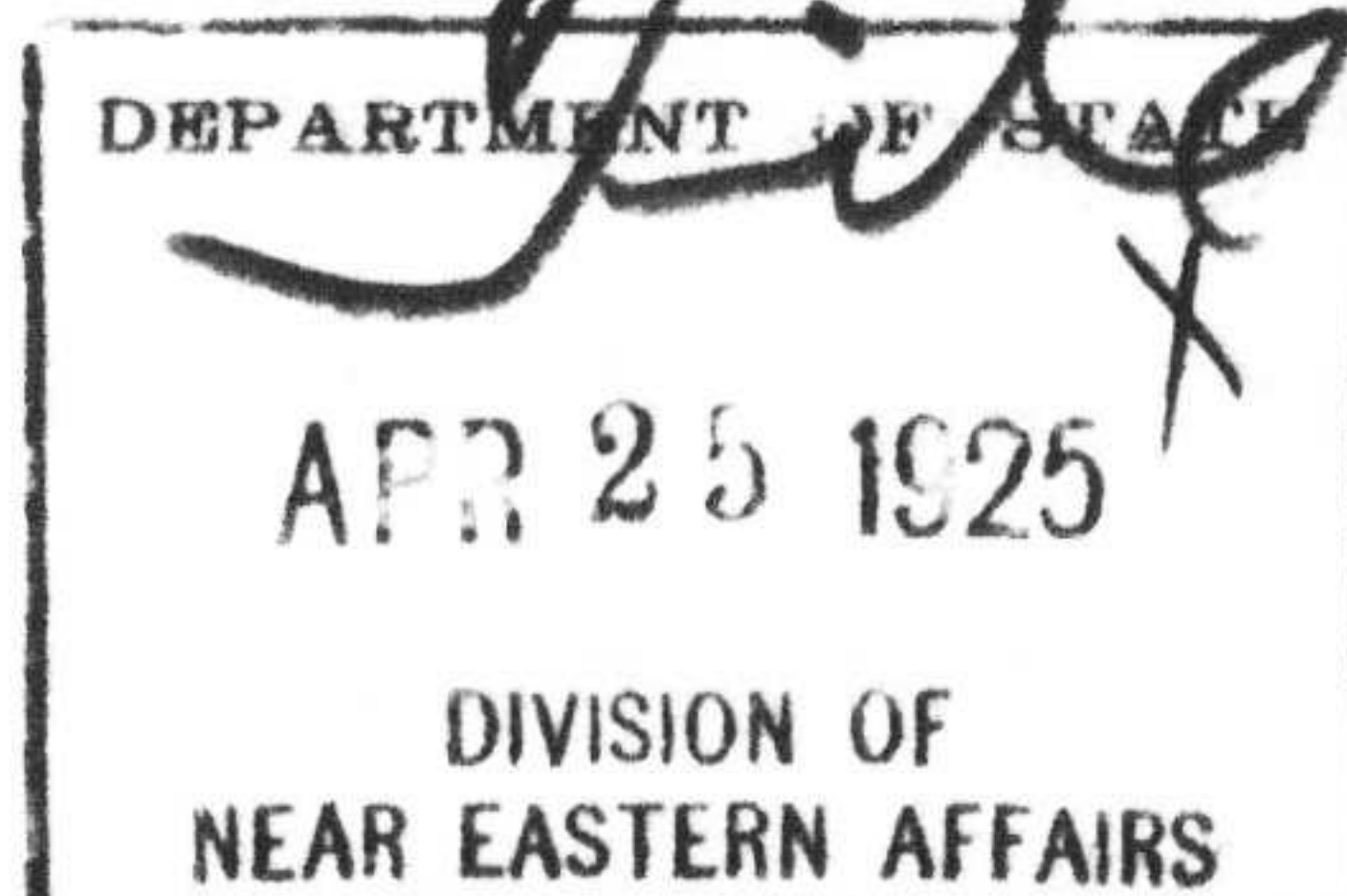
Index Bureau
RECEIVED

Dated April 25, 1925.

APR 25 1925

Recd 9:23 am.

Dep't. of State.

Secretary of State,
Washington.

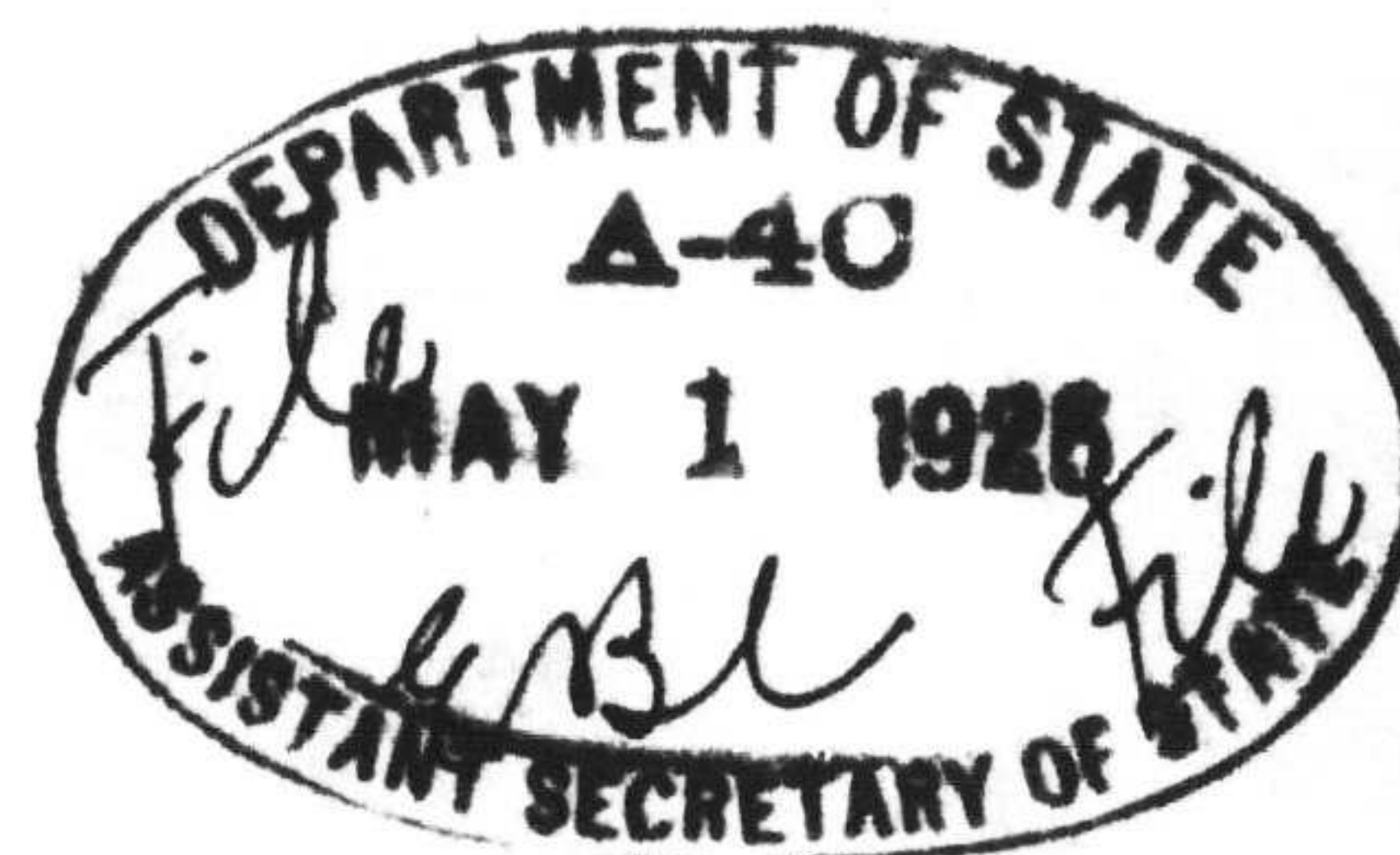
April 25, 4 pm.

Logation's 29, April 9, noon. MAYA 1925

ment desires above mentioned given publicity. One
engineer required for the survey not to exceed one year.
Believe the British offer excessive. If granted contract
company must be prepared finance construction work.

WSB

FULLER

FBI FD
MAY 4 1925F

**PARAPHRASE OF A TELEGRAM FROM TEHERAN, DATED
APRIL 25, 1925.**

With reference to Legation's telegram of April 9th the Government of Persia desires that publicity be given to the message referred to above. The British offer is believed to be excessive. One engineer required for the survey not to exceed one year. The company must be prepared to finance the construction work if it is awarded the contract.

FULLER

891.6463/8



DEPARTMENT OF COMMERCE

BUREAU OF FOREIGN AND DOMESTIC COMMERCE

WASHINGTON

May 9, 1925.

Hon. Wilbur J. Carr,
Assistant Secretary of State,
Department of State,
Washington, D. C.



IN REPLY REFER TO 29

Dear Mr. Carr:

Referring to cables from the American Embassy at Teheran, Persia, commerce numbers 169023 and 169036, the Electrical Equipment Division has received from a number of American engineering firms letters concerning their interest in the matter.

Ulen and Company, 120 Broadway, New York, has replied that they regret that they are unable to take advantage of the situation.

The Foundation Company, 120 Liberty St., New York, has replied but did not state whether they had favorably considered entering a bid for the survey.

The Charles B. Hawley and Co., Inc., Munsey Building, Washington, D. C., has submitted an offer through the embassy to the Persian Government.

Seven other firms were notified but to date they have not replied to our letters.

Very truly yours,

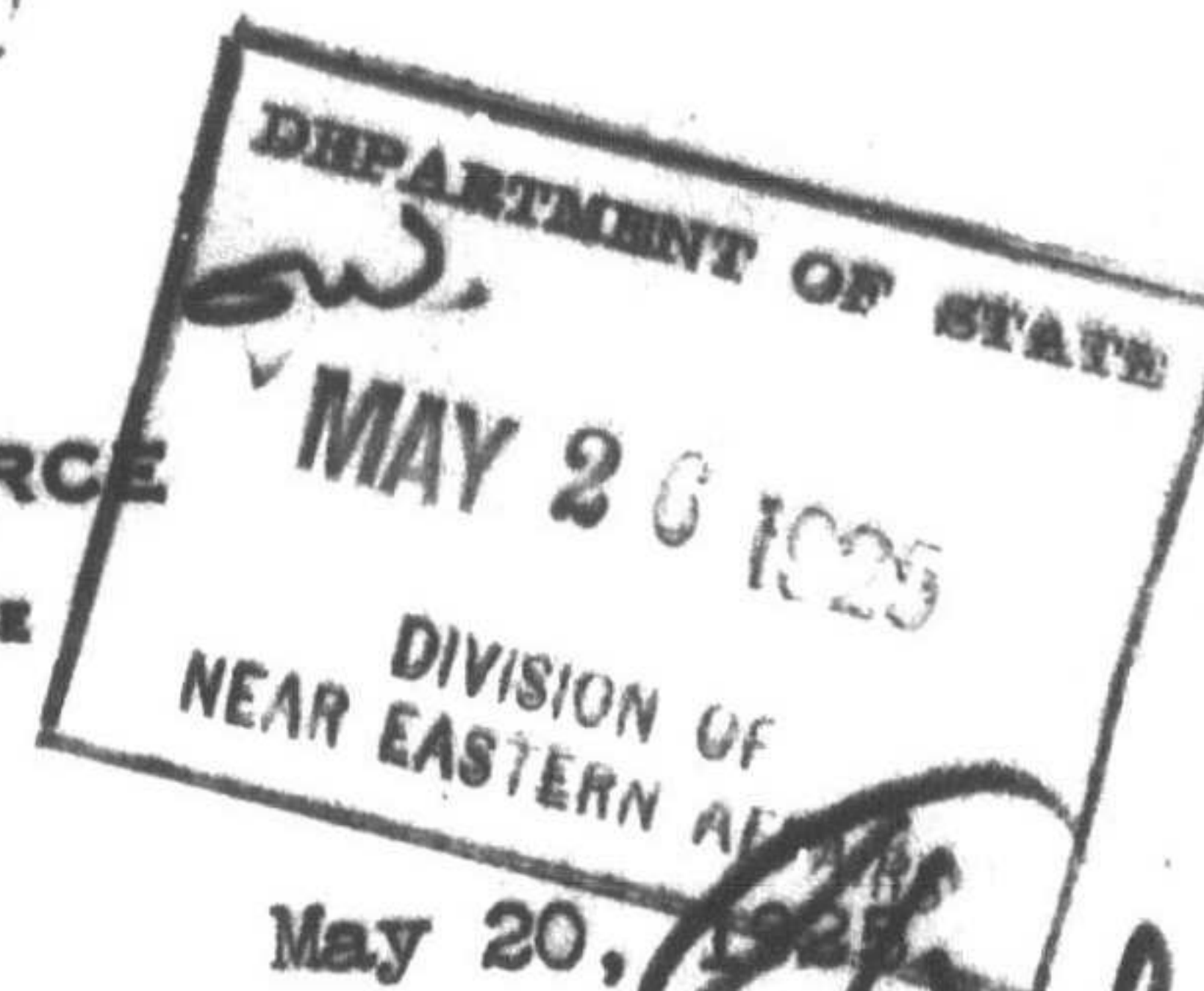
S. H. Cross
S. H. Cross,
Liaison Officer.

891.6463/2
14st
MAY 13 1925
Rec'd
Dept. of State
INDEX BUREAU

INDEX BUREAU
891.6463/4

MAY 20 1925
U.S. DEPT. OF COMMERCE

DEPARTMENT OF COMMERCE
BUREAU OF FOREIGN AND DOMESTIC COMMERCE
WASHINGTON



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File

150 29



Hon. Wilbur J. Carr,
Assistant Secretary of State,
Department of State,
Washington, D. C.

Dear Mr. Carr:

Referring to cables from the American Embassy at Teheran, Persia, commerce #169023 and 169036, and our letter of May 9, 1925, addressed to you, additional replies have been received from American engineering firms concerning their interest in the matter.

Viele, Blackwell and Buck, 49 Wall St., New York City, has submitted a proposal through the American Embassy.

The International General Electric Company, 120 Broadway, New York City, the Westinghouse Electric International Company, 150 Broadway, New York City, and the J. A. White Engineering Corporation, 43 Exchange Place, New York City, have replied that they are not interested.

Very truly yours,

S. H. Cross
S. H. Cross,
Liaison Officer.

REC'D
MAY 25 1925

INDEX BUREAU
891.6463/110

CHARLES B. HAWLEY & CO. INC.

1132 MUNSEY BUILDING

WASHINGTON, D. C.

CHARLES B. HAWLEY
ENGINEERING CORPORATION

*index
9 file
152*
May 15, 1925.

891.6469
INDEX BUREAU
MAY 20 1925
Dept. of State
Dr. Knute E. Carlson,
State Department,
Washington, D. C.

Dear Dr. Carlson:

On my return to the office this morning, I find a note from Mr. Schreiber telling me of a conversation he had with you on May 11th relative to the Teheran matter.

Several days ago we received word from the Department of Commerce advising us that they had been informed of some recent activities in connection with an hydro-electric project for the City of Teheran. I called at the Department, and after securing what data was available to the public I cabled Mr. Murray and later confirmed the message by letter, copy of which I take pleasure in enclosing. We have had no reply to our cablegram, but the reply will probably be sent by letter.

We are very much interested in the possibilities of this undertaking, and would like very much to become connected with it. We will greatly appreciate any advices that you may feel disposed to send us.

With kind regards, I beg to remain,

Very truly yours,

CHARLES B. HAWLEY & COMPANY

JEST.EB

Enclosure.

By *J.B. Hawley*

INDEX BUREAU
891.6463/11
MAY 20 1925

For Dr. Knute E. Carlson

COPY

From CHARLES B. HAWLEY & CO. INC.
WASHINGTON, D. C.

May 4, 1925.

Mr. W. S. Murray,
Second Secretary,
American Legation,
Teheran, Persia.

Dear Sir:

Mr. R. A. Lundquist very kindly notified us of the survey contemplated by the Persian Government covering an investigation of a water supply and hydro-electric project near the city of Teheran. Upon receipt of this information, we cabled you our proposal, decoded confirmation of which we attach hereto.

Our organization has undertaken investigations and completed construction work on hydro-electric projects in New Zealand and South America, as well as a number of large projects in this country. Should we be successful in securing the contract to undertake the investigation and should the investigation prove that the project is susceptible of economical development, we will arrange to finance the construction work and do the work with our own construction organization. Upon receipt of a contract from the Persian government to undertake the construction work, we will refund to the Persian government the sum of 4500 £ Sterling which is the amount we would receive from them for the preliminary investigation

The information which we have is, of course, rather meagre and we would expect to secure a great deal of additional data during the progress of our preliminary investigation that we do not have at this time.

We gave you as our references the U. S. Department of

762891.6463/11

Mr. W. S. Murray

May 4, 1925.

Commerce, the American Engineering Council and the Munsey Trust Company, all of Washington, D. C. If there is any further information that the Persian government would require us to furnish, we will appreciate it if you will cable us and assure you it will be furnished promptly.

We sincerely trust that our proposition will meet with the approval of the government, and should it be accepted, we will despatch an engineer to Teheran to undertake the preliminary investigation.

Very truly yours

CHARLES B. HAWLEY & COMPANY

By (Signed) J. E. S. Thorpe

JEST/LW

ALL AMERICA CABLES

MEXICAN TELEGRAPH CO.

1126 CONNECTICUT AVE., N. W.
WASHINGTON, D. C.

TELEPHONE FRANKLIN 1169

VIA
ALL AMERICA



JAMES A. SCRYMSEY, FOUNDER

JOHN L. MERRILL, PRESIDENT

Send the following Cablegram, subject to the terms
on back hereof, which are hereby agreed to.

FULL
RATE

DEFERRED
RATE

WEEK END
LETTER

Mark with X class of Service desired.

Messages unclassified by sender will be sent as Full Rate.

VIA COLON

Mark with X class of Service desired.

Messages unclassified by sender will be sent as Full Rate.

May 4, 1925.

W. S. MURRAY SECOND SECRETARY
AMERICAN LEGATION TEHRAN PERSIA

REFERRING YOUR CABLE TO DEPARTMENT OF COMMERCE REGARDING HYDRO-ELECTRIC
UNDERTAKING NEAR TEHRAN WE WILL SEND ENGINEER TO MAKE PRELIMINARY
SURVEY AND COST ESTIMATE FOR 4500 £ STERLING. IF AWARDED CONTRACT WILL
FINANCE CONSTRUCTION WORK AND REIMBURSE PERSIAN GOVERNMENT FOR AMOUNT
PAID US FOR PRELIMINARY SURVEY. WE REFER YOU TO U.S. DEPARTMENT
OF COMMERCE AMERICAN ENGINEERING COUNCIL AND MUNSEY TRUST COMPANY ALL
OF WASHINGTON, D.C. REPLY CABLE ADDRESS WATERPOWER WASHINGTON, D.C.

CHARLES B. HAWLEY & CO.

7-6463/110

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20 Spruce Street,
136 Franklin Street,
234 Fifth Ave. (corner 27th St.)
500 Fifth Ave. (corner 42nd St.)
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1126 Connecticut Ave., N. W.
GALVESTON, TEXAS,
Strand and 21st Street.
NEW ORLEANS, LA.,
312 Magazine Street.
MEXICO,
Vera Cruz,
City of Mexico,
Puerto Mexico,
Salina Cruz.
GUATEMALA,
San Jose.
SALVADOR,
La Libertad.
NICARAGUA,
San Juan del Sur.
PANAMA,
Panama,
Balboa,
Colon.
COLOMBIA,
Buenaventura,
Cartagena.
COSTA RICA,
Port Limon,
San Jose.
CUBA,
Fisherman's Point,
Santiago.
PORTO RICO,
Ponce,
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La Paz.
CHILE,
Iquique,
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To guard against mistakes or delays the sender of a cable message should order it repeated, that is, cabled back to the originating office for comparison. For this, one-quarter the unrepeated cable message rate is charged in addition. Unless otherwise indicated on its face this is an unrepeated cable message and paid for as such.

This Company will not assume any responsibility concerning any message beyond the terminus of its own lines.

It is agreed between the sender of the message on the reverse hereof and this Company, that this Company shall not be liable for mistakes or delays in the transmission or delivery, nor for non-delivery, to the next connecting telegraph or cable company, or to the addressee, of any unrepeated message, beyond the amount of that portion of the tolls which shall accrue to this Company; and that this Company shall not be liable for mistakes or delays in the transmission or delivery, nor for non-delivery to the next connecting telegraph or cable company, or to the addressee, of any repeated message, beyond fifty times the extra sum received by this Company from the sender for repeating such message over its own lines, and that this Company shall not be liable in any case for delays arising from interruption in the working of its lines or from congestion of traffic, nor for errors in cipher or obscure messages, or caused by indistinct handwriting or typewriting. And this Company is hereby made the agent of the sender, without liability, to forward any message over the lines of any other Company when necessary to reach its destination.

No responsibility attaches to this Company concerning messages until the same are presented and accepted at one of its transmitting offices; and if a message is sent to such office by one of the Company's messengers, or by a messenger of any other company, he acts as the agent of the sender for the purpose of delivering the message and any notice or instructions regarding it to the Company's agent in its said office. Any message sent to the Company's office by private wire or by telephone or by telegraph or through a connecting telegraph, cable, or radio company is sent at the sender's risk of errors or failures in such service and all of the terms and conditions herein shall apply to the message throughout, and the person receiving such message by private wire or by telephone or by telegraph or through a connecting telegraph, cable, or radio company acts for that purpose as the agent of the sender, and is authorized to assent to these conditions on behalf of the sender.

It is agreed that this Company shall not be liable for damages in any case where the claim is not presented to it in writing within sixty days after the message is filed with this Company for transmission.

It is agreed that the exemptions above stated shall apply both to Mexican Telegraph Company and to All America Cables, Incorporated.

The above terms and conditions shall be binding upon the receiver as well as the sender of this cablegram

No employee of the Company is authorized to vary the foregoing

**ALL AMERICA CABLES, INCORPORATED,
MEXICAN TELEGRAPH COMPANY,**

John L. Merrill, President.

2 Copies hereof to be sent to Amman 471927
Copy also to _____
and _____

DEPT. OF STATE
NO. 131
JUN 12 1925

AMERICAN CONSULATE,

MAY 29 1925

Teheran, Persia,

April 27, 1925.

DEPARTMENT OF STATE
MAY 26 1925
DIVISION OF
NEAR EASTERN AFFAIRS

Office of Economic Adviser
JUN 9 1925
DEPARTMENT OF STATE

SUBJECT: Teheran Hydro-Electric Project

INDEX BUREAU
MAY 25 1925
DEPT. OF STATE

yes	no
<input checked="" type="checkbox"/>	<input type="checkbox"/>

For Distribution
JUN 5 1925
ASSISTANT SECRETARY OF STATE

FOR GUARDED DISSEMINATION ONLY.

THE HONORABLE

THE SECRETARY OF STATE,

WASHINGTON.

SIR: FOR GUARDED DISSEMINATION ONLY.

I have the honor to refer to the Department's telegram to the Legation No. 26 of April 21st, on the subject of the survey and estimates of the hydro-electric development at Teheran, previously referred to in various reports from this consulate.

During the absence of Mr. Murray, there was no one in the Legation to handle this matter and I therefore arranged for an interview with the Minister of Public Works which lasted over two hours.

The Persian government desires at present to get in touch with various companies who would be able to finance the construction work if they are awarded the contract. From each of these companies they wish an offer to cover the cost of one engineer experienced in such work, to complete the survey started by Mr. Renner and to prepare estimates. Only one man is required, and they promise to furnish him with all assistants necessary. It is the opinion of the Minister of Public Works that only two months will be required, as he believes the necessary data is on file in the government or

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STRICTLY CONFIDENTIAL

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JUN 16 1925 A

can be secured by interviewing residents. In order to make the proposition more definite, he agreed to limit the time demanded of such an engineer to a maximum of one year.

The British firm of Armstrong Withworth and Company have offered to supply an expert for 5000 pounds sterling. They have proposed that they be promptly reimbursed in full in case the Persian Government does not award them a contract, and that if they should receive the contract they will include the cost of the survey in their estimates. The Persian Government is willing to accept these terms but believes that 5000 pounds is too high for this work. It is for this reason, and also because they prefer to award a contract to an American firm, that they have asked for additional offers.

The government is not now interested in granting a concession for this work, but wish it done by contract for a fixed price to be paid over a term of years. It is believed, however, that if a company secures a contract for the survey, that ^{they} will be able to work this proposition into a concession. It is my opinion that the company awarded the contract should be able to at least participate with the Persian Government in the concession. It may be they can recover their actual costs in cash payments, and will prefer to participate in a concession for their profits.

The Minister of Public Works gave an idea of what Dr. Millspaugh and the government thought was a fair salary for such an engineer, by stating the amount they have offered for the services of an American road engineer, namely 10,000 Tomans if a home and heat is provided, or 12,500 (to include all expenses here.

Two American companies were interested in addition to the Foundation Company, and for this reason as well as to give additional information, my telegram of April 25, 4 p.m., was sent to the Department. Viele, Blackwell, and Buck, 49 Wall Street, New York, have been corresponding on this proposition and a letter giving the above information is enclosed in this pouch. Charles B. Hawley and Company, 1103 Munsey Building, Washington, D. C., were interested last year, but nothing has been heard from them since that time. It might be well for the Department to bring these facts to their attention. If either of the above companies desire to make an offer they should do so by telegram.

A London director of the Eastern Transport Company of England, Mr. Littlehales, has been in Teheran and has presented a letter from the Foundation Company, Ltd., of London, in which they ask him to investigate this Teheran project on their behalf. It appears that one of the directors of the Foundation Company of London is a director of the Eastern Transport Company. He telegraphed London on April 25th, recommending that they offer the services of an engineer for \$11,000. In the meantime Mr. Remington, deputy chairman of the board of the Foundation Company, London, telegraphed through the Consul at Athens and offered to undertake the survey and estimate for 2500 pounds sterling. This offer was repeated to the Minister of Public Works yesterday, and he appeared to be interested, requesting that it be submitted in writing.

It is my opinion that the Persian Government will accept the offer of the Foundation Company, unless offers are received promptly by cable from other American companies. They only hesitate because

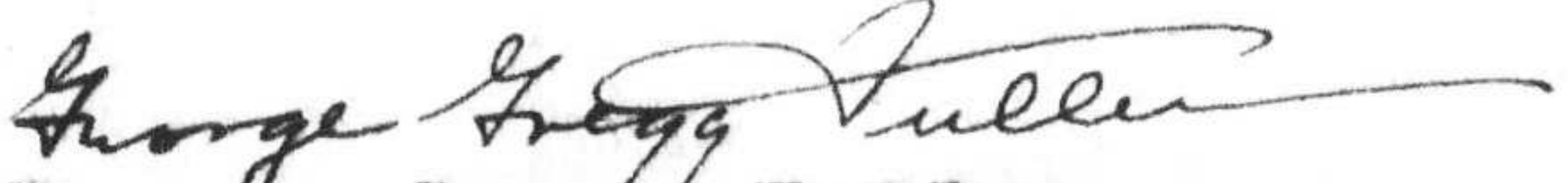
STRICTLY CONFIDENTIAL

STRICTLY CONFIDENTIAL

because the Foundation Company appears to include British interests.

I have the honor to be, Sir,

Your obedient servant,


George Gregg Fuller
American Vice Consul

864
GGF/VBB



LEGATION OF THE
UNITED STATES OF AMERICA

No. 1072

Teheran, Persia.

May 9, 1925.

Office of Economic Adviser

JUN 19 1925

DEPARTMENT OF STATE

File

DEPARTMENT OF STATE

W. KEY
JUN 9 1925

DIVISION OF
NEAR EASTERN AFFAIRS

INDEX BUREAU
JUN 10 1925
DEPT. OF STATE



For Distribution.

yes

No

The Honorable

The Secretary of State,

Washington.

Sir:

Adverting to the Legation's telegram No. 29 dated April 9, 12 noon, and the Department's reply No. 26, dated April 21, 2 p.m., reporting the DESIRE OF THE PERSIAN GOVERNMENT TO INTEREST AMERICAN ENGINEERING CONCERNS in sending to Persia, at the Government's expense, engineers for the purpose of making preliminary surveys and estimates on A HYDRO-ELECTRIC PROJECT NEAR TEHERAN, I have the honor to transmit herewith,

for

SEP 21 1925

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891.6463

for the information of the Department, copies of telegrams subsequently received by this Legation from Mr. Franklin Remington, Chairman of the Foundation Board of Directors, and from Charles B. Hawley & Company, respectively, regarding this matter.

The Legation has not failed to transmit this material, immediately upon its receipt, both to the Persian Government and to Dr. A.C. Millsbaugh, Administrator General of Finances.

I am informed by the latter that the Persian Government has been favorably impressed by these offers and proposes accepting the one that may be regarded as most profitable under the circumstances.

I have the honor to be, Sir,

Your obedient servant,

W. Smith Murray.

W. Smith Murray.

Enclosures:

Foundation and Chas. B. Hawley & Co:
Offer for preliminary survey of
Teheran hydro-electric project.

Paraphrase of telegram received from Mr. Remington of the Foundation Company of New York, from Athens on April 25:

" I have received a copy of the State Department's telegram to you with regard to a preliminary report on the hydro-electric project near Teheran.

Please inform the Persian Government that we are quite familiar with this matter as engineers of our British company have investigated it at one time.

We will make the survey for the Government, which will cover estimates of cost, financial requirements and revenue, for £ 2,500.

Remington,
Chairman, Foundation Company,
now in Athens.

Paraphrase of telegram received from the Charles B. Hawley & Company of Washington, D.C. on May 5:

" With reference to your telegram to the Department of Commerce regarding the hydraulic-electric undertaking near Teheran we will send engineer(s) and will make preliminary survey, cost and estimates, for £ 4500.

If we are awarded the contract we will finance the construction work and reimburse the Persian Government the amounts paid us for the preliminary survey.

We refer you to the U.S. Department of Commerce, the American Engineering Council and Munsey Trust Company, all of Washington, D.C.

Reply cable address WATERPOWER Washington.

CHARLES B. HAWLEY & COMPANY "

DEPARTMENT OF STATE

DIVISION OF NEAR EASTERN AFFAIRS

7. 10. 891. 6463

IB
The attached telegram
was handed me informally
by Mr. Thorpe of the Charles
B. Hawley & Company and
contains a revised offer
submitted by that firm
to the Russian Govern-
ment for the development
of water supply and power
in the City of Kherson. KE

POSTAL TELEGRAPH - COMMERCIAL CABLES

CLARENCE H. MACKAY, PRESIDENT

COUNTER NO.

CABLEGRAM

TIME FILED

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INDEX BUREAU
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DESIGN PATENT No. 40529

ROUTE VIA

Send the following Cablegram, subject to the terms and conditions printed on the back hereof, which are hereby agreed to.

III 14 925
Dept of State

File
KE

To

W. S. MURRAY SECOND SECRETARY
AMERICAN LEGATION TEHRAN PERSIA

MAY 26, 1925.

UGGAJJYSPO FORATGUBOH FERUP PERSONNEL FOR UCWIR (STOP)

IF OCUBSOLZVC ARNYPWICEK GUBOHFAYHB TOACY

TRANSLATION.

Referring our telegram May fourth we expected to furnish the entire personnel for the survey (stop) If Persian Government will provide assistant we will furnish engineer for 2200 pounds sterling.

Charles B. Hawley & Co.

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891.6463/14

JUL 16 1925

FIT ED

The sender will please read the conditions on back and sign name and address thereon for reference.

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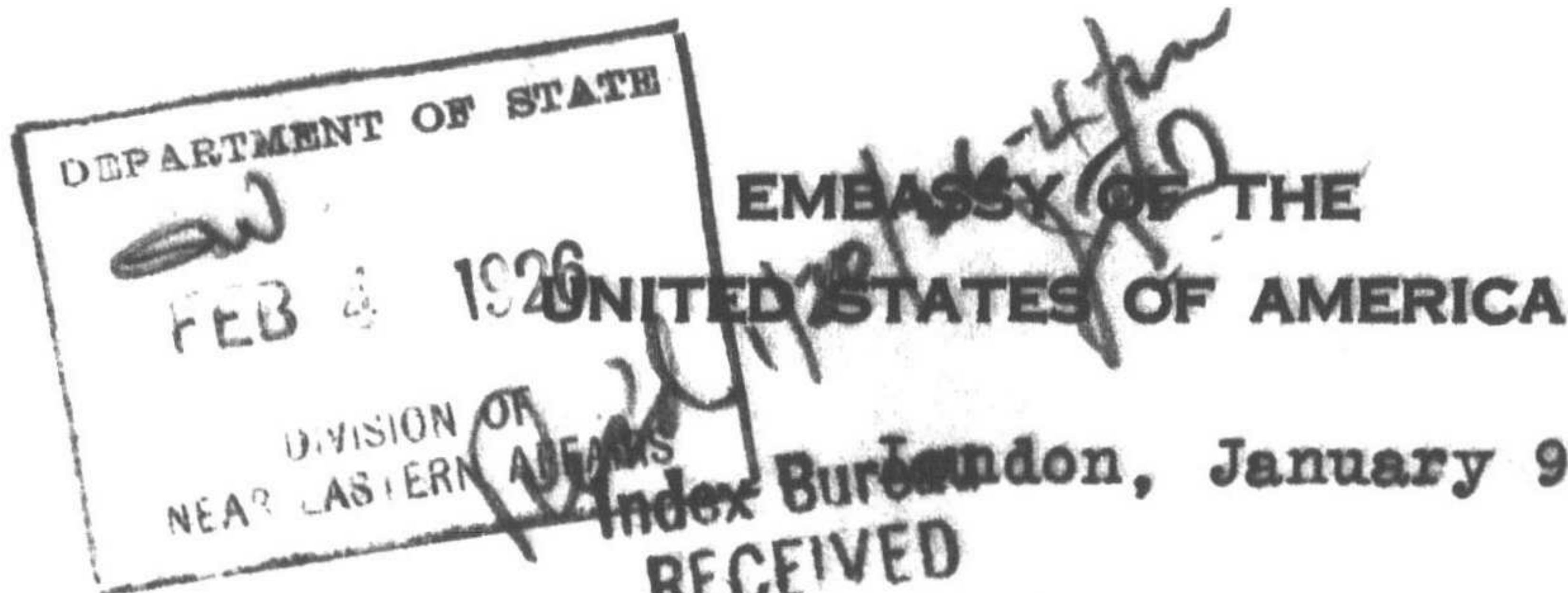
DOCUMENT FILE

NOTE

SEE _____ FOR _____

FROM _____ (_____) DATED _____
TO _____ NAME _____

REGARDING:



London, January 9, 1925.

Dear Allen:

Referring to the Embassy's note to the Foreign Office regarding a proposed Iraq mandate convention mentioned in my despatch No. 639 of December 22, 1925, I had a further talk at the Foreign Office yesterday with Oliphant who informed me that the League of Nations' decision on the Mosul affair having been taken, the Foreign Office had addressed the Colonial Office on the matter of our note, and we might expect a reply before too long.

At the same time he gave me a copy of the enclosed correspondence which had been forwarded to the Foreign Office from Persia by Sir Percy Loraine, and asked me my opinion of it. However, as he suggested I should take it home and read it over I had a copy made for you, but sent it back to him this morning telling him that I did not see it was a thing in which we were very concerned, nor did I think it necessary to tell him that I had forwarded you a copy.

I shall hope to hear news of you from Fred Sterling on his return the end of next week.

With my best wishes to you all for the New Year,

Allen Dulles, Esq.,
Department of State,
Washington, D.C.

Enclosure: Document.

Ray, Arthur

FEB 5 1926

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891.6463/15

891.6463
note
891.51A

Handwritten initials and notes

PERSIA.(December 21, 1925)CONFIDENTIAL.

Section 7.

(E 7934/559/34)

No. I

Sir P. Loraine to Sir Austen Chamberlain. (Received December 21)
(No. 629).
Sir,

Tehran, December 2, 1925.

AN explanation is needed of the telegram No. 379, which I have the honour of addressing to you on the 29th November, regarding Messrs. Armstrong, Whitworth's proposals in connection with the erection of a hydro-electric station for Tehran.

The history of the circumstances, beyond what has been reported to you telegraphically, can best be understood from a perusal of the letters exchanged between Dr. Millspaugh and myself, copies of which are enclosed herein. The Financial Adviser's letter came like a bombshell out of the clearest sky I have ever yet seen here in regard to possibilities of British enterprise, and I will admit that, after first reading it, I was considerably nettled and filled with serious misgivings as regards the impartiality of the writer's intentions towards the British competitor for this contract. I also had a disagreeable impression that Dr. Millspaugh was endeavoring to exert on the Persian Government, through me and at the expense of British enterprise, pressure which he found himself unable to make effective with his own resources. Nevertheless, being mindful of the attitude of helpful consideration towards the American Financial Mission which is enjoined on me by the declaration made to the United States Government by His Majesty's Government at the time of the Mission's appointment, I abstained from making any hasty rejoinder and contented myself with placing on record in a personal reply to Dr. Millspaugh the acutely embarrassing position in which his request had placed me and suggesting an early interview in order to discuss the matter fully. My letter

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is, I believe, couched in very temperate language, but I thought it advisable, before beginning any oral exchange of views with Dr. Millspaugh, to let him have a clear and unambiguous statement of the state of affairs as seen from my angle. I was further embarrassed by the fact that you had requested me to reply as soon as possible to your telegrams No. 239 of the 26th November and No. 242 of the 23rd November and that Dr. Millspaugh, instead of giving me an interview on the 28th of November as I had suggested, was not able to spare the time till Sunday, the 29th November, when he called at this Legation in the evening.

The restraint which I had exercised proved to be not without its uses, for Dr. Millspaugh began by thanking me very sincerely for the clear statement of our position which I had sent him. It transpired that the Persian Minister of Public Works, Taimur Tash, had not represented the matter to him in precisely the same way, but rather as the fulfilment - presumably reluctant - as a matter of courtesy of some promise given to me orally some time ago by Reza Khan Pahlavi. I at once said that no promise on the subject had ever been given me by Reza Khan, and that Taimur Tash had acquainted me orally with what he described as a decision of the Council of Ministers which constituted the answer which I had long awaited to certain proposals which I had submitted to the Persian Government in the early spring on behalf of Messrs. Armstrong of a perfectly normal business character.

Dr. Millspaugh then developed, in rather more detail than in his letter, his ideas on the subject and in so doing he brought up some very material points, in addition to his main thesis, that, before satisfactory business could be done, a definite programme must be drawn up and definite credits allotted in the budget for its execution. The points were as follows:-

(a)/

(a) That same morning the Bill foreshadowed in his letter had been laid before the Majlis, and he gathered that it had made a favorable impression. He has since sent me a text of the Bill, adding in his private note which accompanied it, "This is not good English and it is not a precise translation. The Bill as introduced differs slightly, but it is substantially the same."

(b) That he did not consider himself justified in honouring all and any drafts made by individual Ministers on the Government's monthly allowance.

(c) That the Government had overspent its allowance for the current year, and that unless he approved of their manner of spending it he could obstruct the grant of a similar credit in the budget of the forthcoming year.

(d) That he regarded the conclusion of a contract with Armstrong involving present or future payments as covered by the stipulation in his contract, which required his counter-signature to make such contracts binding.

(e) That some four or five months ago the Persian Government had informed him that they were willing to give a contract to Foundations (Limited) - an American company - similar to that which they were now offering to Armstrong, but he had negatived that proposal on the same grounds as he now urged on me in connection with Armstrong; moreover, that he had counselled other American firms who had shown a disposition^{to} interest themselves in Persia not to enter on any negotiations or send any engineers until some comprehensive programme of public works had been settled and some credits voted.

(f) That the present Bill did not and would not apply to heavy railway construction, though it did to the project for a light railway in Seistan.

(g) That when the public works to be undertaken had been selected, he would undertake that full publicity would be given, and that the British firms desirous of tendering should have full equality of

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Finally, Dr. Millspaugh said he felt that unless these matters were going to be based in future on some settled principle, instead of being left to the vagaries of a negotiation, very likely complicated by protests or counter-claims from other Powers which would like to be interested, no real progress could be made or stability evolved such as to encourage the influx of sound foreign capital. He did not think that British enterprise would stand to lose by what he had in mind, and he felt that if we found it possible to cooperate with him, better results could be obtained than by starting a negotiation, which he was bound to disapprove, with a Government which had not always proved satisfactory to deal with in the past and should not be taken too seriously in regard to economic and financial problems, in which its competence was not very pronounced.

These arguments have certainly a great deal of weight, and they were presented in a reasonable and sedate manner, without any suggestion of bluster or assertiveness. I told Dr. Millspaugh that if only he had let me know what was in his mind a month, or even a fortnight, earlier, much would have been simplified, but, as I had explained in my letter, I was now engaged towards the Persian Government, the issue was rather a moral than a material one, and proportionately a more difficult one to solve. No doubt Messrs. Armstrong might not lose anything very important by not being entrusted with the contemplated survey, especially as the Persian

reply/5

reply was not a complete acceptance of their original offer; but what was I to say to the Persian Government? How could I account to them for not fulfilling my engagement to endeavor to reconcile Armstrong's interests with their requirements and bring out their engineer at the earliest possible moment, unless he authorized me to tell them of the representations which he had made to me? Dr. Millspaugh at once replied that he perfectly understood this, and that I was at liberty to inform the Persian Government of the objections he had raised, and was indeed willing that I should tell Taimur Tash in his presence. It was then agreed that Dr. Millspaugh should try to arrange a meeting à trois for this purpose, but apparently he has not yet been able to do so.

It of course occurred to me that I had a quite legitimate case for insisting that the negotiation for a survey to be conducted by Messrs. Armstrong's engineer should proceed, and not unsound grounds for declining to heed Dr. Millspaugh's request that I should hang the matter up, at all events for the time being; furthermore, that I could pursue with excellent reason the argument about the unnecessary and unfair idea of making the terms of the Bill retroactive in this particular regard, which I had outlined in my letter of the 26th November. During my conversation with the Financial Adviser, however, I decided not to take up this line, because to do so would have raised ^{far}/graver and wider-reaching issues than those under immediate discussion. If Dr. Millspaugh, the Persian Government and I had, all three, maintained stubbornly our respective positions I should, to all intents and purposes, have been ranged alongside the Persian Government in a battle with Dr. Millspaugh and the American Financial Mission. Whatever the issue of that battle the result would have been equally disastrous; at the worst the question of the very retention of the American advisers might have been raised, with His Majesty's Legation committed to an adverse attitude in their regard and likely to be saddled with the onus and the odium of their possible dismissal. Such a situation would/

would, I am well aware, be disagreeable to the extreme to His Majesty's Government, and would, if I may say so, be equally repugnant to my own conception of British dealings and interests in this country. At the best an estrangement, probably a sulky one, would have sprung up between this Legation and the American Financial Mission, prejudicial alike to the future prospects of helpful and useful intercourse between the two and to Persia's progress in the path of financial reform and economic development. No one, I think, with a knowledge of this country and its recent history, will readily dismiss these vaticinations as idle. I myself feel that had a situation of the sort been unleashed there is no telling what proportions it might not have assumed. However that may be, it seemed clear to me that my duty was to avoid any such situation arising, even if it meant the abandonment, temporary or definite, of Messrs. Armstrong's survey, and I, therefore, decided to put the matter clearly before Taimur Tash, and afterwards to the Persian Government if necessary, so soon as Dr. Millspach provided me with the opportunity indicated above, with the intention of doing everything in my power to harmonize the three points of view and to get satisfactory assurances that, whoever does the survey for the hydro-electric station and the cognate irrigation plan which the Persian Government have in view, Messrs. Armstrong shall have the fullest and fairest opportunity to compete for the constructional work involved in the execution of that project.

I trust that my attitude in this matter, and the reasons on which it was based, may meet with your approval.

I have, &c.

PERCY LORAINÉ

Enclosure I in No.I.

Dr. Millspach to Sir P. Lorainé.

Personal/

(Personal)

My dear Sir Percy,

Tehran, November 24,
1925.

IT has been my hope, as you know, that financial reorganization in Paris might pave the way for productive public works. At the present moment, the time seems opportune to take the preliminary steps toward the beginning of such works according to a sound programme. In the past, almost no undertakings of this kind have ever gone beyond the stage of discussion or preliminary survey. The lamentable failure in the past of all movements for the construction in Persia of productive public works I am inclined to attribute mainly to three conditions:-

1. Lack of funds, credits and financial control;
2. Lack of continuity of government and policy; and
3. The practice of formulating the details of each project separately by negotiation.

Permit me to make myself somewhat clearer on the third point. Let us say that a foreign legation or foreign company has thought of project A as a profitable one for development. The company, backed by its legation, takes up the matter with Government. Negotiations proceed for a contract or concession. An important obstacle then appears due to the fact that project A is taken up without relation to project B or project C, although it is possible that, from the point of view of Persian interest, the latter project should be taken up first. Opposition to project A therefore occurs from those sections or groups, Persian or foreign, who are particularly interested in project B or project C, or possibly X, Y and Z. The consummation of the negotiations regarding the project A meets at the outset with serious difficulties. A correlative difficulty arises from the circumstance that another foreign legation or foreign company, seeing a project about to drop into the lap of another nationality, demands also a privilege for itself, and, until it can get some sort of "compensation",
opposes/

opposes the conclusion of negotiations regarding project A.

Due to the above and other considerations, which are mainly financial, it has seemed to me that, if Persia is to be developed on a sound basis, all of the most urgent and important projects should be dealt with at the same time. I do not mean the construction of all projects should be carried on at the same time, but the financial planning should be done and the necessary legal authorisations should be obtained at the same time for all.

With this end in view, I have very recently prepared a project of law embodying a programme of economic development extending over a period of ten years or more and foreseeing credits and expenditure amounting to a minimum of 500,000 tomans per year and increasing as the revenue of the productive works return to the Treasury. This project of law the Government, as I understand, has accepted, and is preparing to present it to the Majlis.

In order that we might have disinterested expert and comparable data for the consideration of all these construction projects, it is proposed in the project of law to employ one or two engineers from America to make the preliminary studies. This project of law would cover such proposals as the Seistan light railway, the Djajaroud dam, the Zeyenderoud project at Isfahan, as well as others in other parts of the country.

Possessing such settled convictions on the subject and understanding that my proposals were completely endorsed by the Government, I was surprised to be told last night that you had been promised that the Government would employ an engineer of Armstrong, Whitworth & Co. to make a report regarding the Djajaroud project.

Such procedure would seem to me not only inconsistent with the plan as above outlined, but likely to imperil its success. I am strongly apposed to any deviation from the procedure that I have outlined. In America and since my return I have advised American companies against sending representatives to Persia at this time,

because/

because I feel that such action on their part would introduce useless complication in the development of preliminaries and would prove a disappointment to the companies themselves. Until our plans have been made, our authorisations obtained, and our available funds carefully estimated in advance, it seems to me unwise to involve, in any manner whatever, any foreign company. I feel precisely the same on sending representatives here by British or other foreign companies for any purpose in connection with public works, whether there are or are not any present commitments regarding the actual construction of the work. It is my wish to make entirely clear to you that the promise, if one was made, was without my knowledge and approval, and, of course, does not involve me in any obligation of any kind.

I hope you will find it appropriate to send word to Armstrong, Whitworth & Co. that if they send an engineer here it is altogether improbable that we shall be in a position to pay him for his services from the Public Treasury, that I disclaim any obligation to approve any such payment, and that, if they send their engineer, they must do so at their own risk, so far as payments are concerned.

If Armstrong, Whitworth & Co. will wait until the project of law has been passed, our programme at least tentatively outlined, our preliminary studies made, and our general specifications prepared, I can give them, through you, my personal assurances that I shall do all within my power to ensure that no contract shall be awarded for any public work until after full publicity and after sufficient time has been given to the companies of all nationalities to make bids.

I trust that you will accept this frank personal expression of my views and hope in the spirit of goodwill and constructive purpose in which it is submitted to you. In view of the personal character of this letter, I request you to consider it as confidential and a subject for discussion only between you and me personally. I have taken no official action in the matter and will not do so unless it becomes necessary in the course of my routine official duties.

Believe/

Believe me, &c.,

A. C. MILLSPAUGH

Enclosure 2 in No.1.

Sir P. Loraine to Dr. Millsaugh.

(Personal)

Tehran, Nov.26,1925.

I HAVE received your letter marked personal, of the 24th November, and I am very grateful to you for letting me know what your views and position are in connection with a fixed programme of economic development for Persia and especially as regards projects to productive public works.

At the same time the receipt of your letter, and more particularly your suggestion in its 7th paragraph that I should send a warning to Messrs. Armstrong, Whitworth place me in a position of acute embarrassment.

I will try to explain why; but I want you to realize as a background to that explanation that what I am saying does not proceed from any lack of sympathy with your desire to place Persian economic development on a sound basis, or from any defective appreciation of your own difficulties, but from the very circumstances which have arisen.

I may remind you that the proposals originally made through me by Messrs. Armstrong, Whitworth in the spring of this year were brought to your knowledge; that these proposals were made in response to a desire expressed by the Persian Government; as I told you at the time I had asked the then Prime Minister whether he would like a first-class British company to put forward proposals on the basis of doing work on contract on account of the Persian

Government/

Government and not in any way seeking a concession; if the answer was "Yes" I would do my very best to get the Persian Government what they wanted; if "No", I should do nothing at all. The answer was "Yes", and I was requested to proceed with the matter and to conduct any further negotiation connected therewith with the Minister of Public Works. I did as requested and my Government used their influence, in view of the Persian request, to secure an offer from the firm enjoying the highest reputation for hydro-electric work and machinery in the British Empire. Once the offer was made, and I was instantly aware that it had produced a most favourable impression on the Persian Government, conforming as it did to their ideas about the manner in which to set about such an undertaking, I naturally enquired from time to time whether it was to be accepted. I learnt some months ago that Armstrong's proposals, and one or more other projects for a hydro-electric station, had been submitted to a commission, on which the American Mission was represented, for study and report. Therefore, so far as I was aware, the American Mission was fully cognisant of the whole matter.

Never, until the receipt of your letter under reply, have I had any grounds whatever for supposing that the American Mission had or were likely to raise any objection to the acceptance of Armstrong's proposals if the Persian Government found them acceptable. Nor have I had the slightest inkling that you contemplated bringing any such Bill before the Majlis as the one which you now describe to me.

To make the sequence of recent events clear, I should say that ^a about/week ago I was acquainted by the Minister of Public Works with the decision of the Council of Ministers to accept Armstrong's proposals in principle, there being one or two small matters requiring consideration and adjustment, and the Government providing the credit guarantee of £2,500 out of its own funds. I was requested to telegraph to London urging that an engineer should be sent out to Persia at the earliest possible moment if a satisfactory agreement could be reached

on/

on the subsidiary points.

I had therefore every reason to suppose that the matter was entirely in order, and I telegraphed to London as requested.

Now comes your letter asking me to warn Armstrong not to send anyone till the Majlis has passed your Bill; but it is not clear to me that, even if I complied with your request, there would be occasion for them to send one, if the law approves the engagement of American engineers to survey this and other public works which you have in view.

You will, I think, admit that the matter which I have been discussing with the Persian Government for the last eight or nine months differs very essentially from any other form of concession or contract hunting. I have been at pains to find out what the Persian Government want in this connection and to get a British firm of the highest standing and repute to carry out that work for them in conformity not only with their material requirements but also with the principles on which they have told me they wished to work. The discussion has had no confidential character, it has been open and straightforward, and, as I said before, the American Mission has throughout been cognisant of its details. Now, when the Persian Government, without any pressure whatever and acting on their own spontaneous authority, tell me that a perfectly legitimate business proposal is accepted in principle, and ask me to give effect to it, and after I have undertaken to do so to the best of my ability, I receive a request from you to call the whole thing off, coupled with an intimation at the close of your letter which suggests that, unless I comply with your request, you will take steps to block the whole enterprise.

Your request amounts to a request that I should break faith with the Persian Government. They ask me to do one thing; you ask me to do another. To them I am accredited and with them my business lies. The policy of my Government is to give what help they can, provided it be of a kind and in a form welcome to the Persian Government, in the economic reconstruction of this country. At the

very/

very moment when an enterprise corresponding to and fulfilling these conditions is agreed to in principle you ask me to strangle it.

I do not dispute the soundness in principle of your idea of co-ordinating a programme of economic reconstruction; it is, indeed, a course which I have frequently permitted myself in a friendly manner to recommend to the Persian Government. I do, however, ask whether it is fair, when your project has not even yet taken the form of a Bill laid before Parliament, to endeavor to make its operation retroactive. If I had had any foreknowledge that you contemplated such a project I should certainly have warned my Government, and our course would have doubtless been shaped so as to take it into due and friendly consideration; but whereas you have been in the light about my ideas, I have been in the dark about yours.

You ask me to treat the subject and matter of your letter under reply as confidential and as personal to our two sleeves for purposes of discussion. I have respected your request, and shall continue to do so unless released by you; but this stipulation on your part places me in a yet more difficult and embarrassing situation. On the one hand, it debars me from acquainting my Government with a very important consideration at a moment when they are already in communication with Armstrong and myself in regard to the practicability of giving effect to the wishes expressed to me by the Persian Government; on the other hand, it debars me from any further converse with the Persian Government on the subject at all and introduces a secret element into what has hitherto been a perfectly frank affair, which is contrary to my own practice and therefore disagreeable to me. Moreover, it deprives me of any grounds whatever vis-à-vis the Persian Government for breaking off the negotiation now engaged with Armstrong if I considered it desirable to do so.

I do/

I do not see how I can properly switch the thing off unless at the request of the Persian Government, with whom I have treated the matter throughout, as it is my duty to do. Do you not think that your recourse is rather to the Persian Government than to me?

I do not think you have ever found me backward in taking into account to the greatest possible extent your point of view, or in doing what I properly could to smooth the path of the American Mission - in fact to carry out both in the letter and the spirit the assurance given to the United States Government by my Government at the moment of the appointment of the mission. In this case, however, I do not see how I can comply with your request without failing to keep faith with the Persian Government.

I have explained the situation in which I find myself at some length because there are important issues involved. I think we had better meet, and as soon as possible, to discuss the matter, and I should be very glad if you could set aside some time tomorrow (Friday) afternoon for the purpose.

PERCY LORAINÉ.

PERSIA.(December 21, 1925)CONFIDENTIAL.

Section 7.

(E 7934/559/34)

No. I

Sir P. Loraine to Sir Austen Chamberlain. (Received December 21)
(No. 629).
Sir,

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reply/

reply was not a complete acceptance of their original offer; but what was I to say to the Persian Government? How could I account to them for not fulfilling my engagement to endeavor to reconcile Armstrong's interests with their requirements and bring out their engineer at the earliest possible moment, unless he authorized me to tell them of the representations which he had made to me? Dr. Millspaugh at once replied that he perfectly understood this, and that I was at liberty to inform the Persian Government of the objections he had raised, and was indeed willing that I should tell Taimur Tash in his presence. It was then agreed that Dr. Millspaugh should try to arrange a meeting à trois for this purpose, but apparently he has not yet been able to do so.

It of course occurred to me that I had a quite legitimate case for insisting that the negotiation for a survey to be conducted by Messrs. Armstrong's engineer should proceed, and not unsound grounds for declining to heed Dr. Millspaugh's request that I should hang the matter up, at all events for the time being; furthermore, that I could pursue with excellent reason the argument about the unnecessary and unfair idea of making the terms of the Bill retroactive in this particular regard, which I had outlined in my letter of the 26th November. During my conversation with the Financial Adviser, however, I decided not to take up this line, because to do so would have raised ^{far}/graver and wider-reaching issues than those under immediate discussion. If Dr. Millspaugh, the Persian Government and I had, all three, maintained stubbornly our respective positions I should, to all intents and purposes, have been ranged alongside the Persian Government in a battle with Dr. Millspaugh and the American Financial Mission. Whatever the issue of that battle the result would have been equally disastrous; at the worst the question of the very retention of the American advisers might have been raised, with His Majesty's Legation committed to an adverse attitude in their regard and likely to be saddled with the onus and the odium of their possible dismissal. Such a situation would/

would, I am well aware, be disagreeable to the extreme to His Majesty's Government, and would, if I may say so, be equally repugnant to my own conception of British dealings and interests in this country. At the best an estrangement, probably a sulky one, would have sprung up between this Legation and the American Financial Mission, prejudicial alike to the future prospects of helpful and useful intercourse between the two and to Persia's progress in the path of financial reform and economic development. No one, I think, with a knowledge of this country and its recent history, will readily dismiss these vaticinations as idle. I myself feel that had a situation of the sort been unleashed there is no telling what proportions it might not have assumed. However that may be, it seemed clear to me that my duty was to avoid any such situation arising, even if it meant the abandonment, temporary or definite, of Messrs. Armstrong's survey, and I, therefore, decided to put the matter clearly before Taimur Tash, and afterwards to the Persian Government if necessary, so soon as Dr. Millspaugh provided me with the opportunity indicated above, with the intention of doing everything in my power to harmonize the three points of view and to get satisfactory assurances that, whoever does the survey for the hydro-electric station and the cognate irrigation plan which the Persian Government have in view, Messrs. Armstrong shall have the fullest and fairest opportunity to compete for the constructional work involved in the execution of that project.

I trust that my attitude in this matter, and the reasons on which it was based, may meet with your approval.

I have, &c.

PERCY LORAIN

Enclosure I in No. I.

Dr. Millspaugh to Sir P. Loraine.

Personal/

(Personal)
My dear Sir Percy,

Tehran, November 24,
1925.

IT has been my hope, as you know, that financial reorganization in Paris might pave the way for productive public works. At the present moment, the time seems opportune to take the preliminary steps toward the beginning of such works according to a sound programme. In the past, almost no undertakings of this kind have ever gone beyond the stage of discussion or preliminary survey. The lamentable failure in the past of all movements for the construction in Persia of productive public works I am inclined to attribute mainly to three conditions:-

1. Lack of funds, credits and financial control;
2. Lack of continuity of government and policy; and
3. The practice of formulating the details of each project separately by negotiation.

Permit me to make myself somewhat clearer on the third point. Let us say that a foreign legation or foreign company has thought of project A as a profitable one for development. The company, backed by its legation, takes up the matter with Government. Negotiations proceed for a contract or concession. An important obstacle then appears due to the fact that project A is taken up without relation to project B or project C, although it is possible that, from the point of view of Persian interest, the latter project should be taken up first. Opposition to project A therefore occurs from those sections or groups, Persian or foreign, who are particularly interested in project B or project C, or possibly X, Y and Z. The consummation of the negotiations regarding the project A meets at the outset with serious difficulties. A correlative difficulty arises from the circumstance that another foreign legation or foreign company, seeing a project about to drop into the lap of another nationality, demands also a privilege for itself, and, until it can get some sort of "compensation",
opposes/

opposes the conclusion of negotiations regarding project A.

Due to the above and other considerations, which are mainly financial, it has seemed to me that, if Persia is to be developed on a sound basis, all of the most urgent and important projects should be dealt with at the same time. I do not mean the construction of all projects should be carried on at the same time, but the financial planning should be done and the necessary legal authorisations should be obtained at the same time for all.

With this end in view, I have very recently prepared a project of law embodying a programme of economic development extending over a period of ten years or more and foreseeing credits and expenditure amounting to a minimum of 500,000 tomans per year and increasing as the revenue of the productive works return to the Treasury. This project of law the Government, as I understand, has accepted, and is preparing to present it to the Majlis.

In order that we might have disinterested expert and comparable data for the consideration of all these construction projects, it is proposed in the project of law to employ one or two engineers from America to make the preliminary studies. This project of law would cover such proposals as the Seistan light railway, the Djajaroud dam, the Zeyenderoud project at Isfahan, as well as others in other parts of the country.

Possessing such settled convictions on the subject and understanding that my proposals were completely endorsed by the Government, I was surprised to be told last night that you had been promised that the Government would employ an engineer of Armstrong, Whitworth & Co. to make a report regarding the Djajaroud project.

Such procedure would seem to me not only inconsistent with the plan as above outlined, but likely to imperil its success. I am strongly apposed to any deviation from the procedure that I have outlined. In America and since my return I have advised American companies against sending representatives to Persia at this time,

because/

because I feel that such action on their part would introduce useless complication in the development of preliminaries and would prove a disappointment to the companies themselves. Until our plans have been made, our authorisations obtained, and our available funds carefully estimated in advance, it seems to me unwise to involve, in any manner whatever, any foreign company. I feel precisely the same on sending representatives here by British or other foreign companies for any purpose in connection with public works, whether there are or are not any present commitments regarding the actual construction of the work. It is my wish to make entirely clear to you that the promise, if one was made, was without my knowledge and approval, and, of course, does not involve me in any obligation of any kind.

I hope you will find it appropriate to send word to Armstrong, Whitworth & Co. that if they send an engineer here it is altogether improbable that we shall be in a position to pay him for his services from the Public Treasury, that I disclaim any obligation to approve any such payment, and that, if they send their engineer, they must do so at their own risk, so far as payments are concerned.

If Armstrong, Whitworth & Co. will wait until the project of law has been passed, our programme at least tentatively outlined, our preliminary studies made, and our general specifications prepared, I can give them, through you, my personal assurances that I shall do all within my power to ensure that no contract shall be awarded for any public work until after full publicity and after sufficient time has been given to the companies of all nationalities to make bids.

I trust that you will accept this frank personal expression of my views and hope in the spirit of goodwill and constructive purpose in which it is submitted to you. In view of the personal character of this letter, I request you to consider it as confidential and a subject for discussion only between you and me personally. I have taken no official action in the matter and will not do so unless it becomes necessary in the course of my routine official duties.

Believe/

Believe me, &c.,

A. C. MILLSPAUGH

Enclosure 2 in No.1.

Sir P. Loraine to Dr. Millspaugh.

(Personal)

Tehran, Nov.26,1925.

I HAVE received your letter marked personal, of the 24th November, and I am very grateful to you for letting me know what your views and position are in connection with a fixed programme of economic development for Persia and especially as regards projects to productive public works.

At the same time the receipt of your letter, and more particularly your suggestion in its 7th paragraph that I should send a warning to Messrs. Armstrong, Whitworth place me in a position of acute embarrassment.

I will try to explain why; but I want you to realize as a background to that explanation that what I am saying does not proceed from any lack of sympathy with your desire to place Persian economic development on a sound basis, or from any defective appreciation of your own difficulties, but from the very circumstances which have arisen.

I may remind you that the proposals originally made through me by Messrs. Armstrong, Whitworth in the spring of this year were brought to your knowledge; that these proposals were made in response to a desire expressed by the Persian Government; as I told you at the time I had asked the then Prime Minister whether he would like a first-class British company to put forward proposals on the basis of doing work on contract on account of the Persian

Government/

Government and not in any way seeking a concession; if the answer was "Yes" I would do my very best to get the Persian Government what they wanted; if "No", I should do nothing at all. The answer was "Yes", and I was requested to proceed with the matter and to conduct any further negotiation connected therewith with the Minister of Public Works. I did as requested and my Government used their influence, in view of the Persian request, to secure an offer from the firm enjoying the highest reputation for hydro-electric work and machinery in the British Empire. Once the offer was made, and I was instantly aware that it had produced a most favourable impression on the Persian Government, conforming as it did to their ideas about the manner in which to set about such an undertaking, I naturally enquired from time to time whether it was to be accepted. I learnt some months ago that Armstrong's proposals, and one or more other projects for a hydro-electric station, had been submitted to a commission, on which the American Mission was represented, for study and report. Therefore, so far as I was aware, the American Mission was fully cognisant of the whole matter.

Never, until the receipt of your letter under reply, have I had any grounds whatever for supposing that the American Mission had or were likely to raise any objection to the acceptance of Armstrong's proposals if the Persian Government found them acceptable. Nor have I had the slightest inkling that you contemplated bringing any such Bill before the Majlis as the one which you now describe to me.

To make the sequence of recent events clear, I should say that about^a/week ago I was acquainted by the Minister of Public Works with the decision of the Council of Ministers to accept Armstrong's proposals in principle, there being one or two small matters requiring consideration and adjustment, and the Government providing the credit guarantee of £2,500 out of its own funds. I was requested to telegraph to London urging that an engineer should be sent out to Persia at the earliest possible moment if a satisfactory agreement could be reached

on/

on the subsidiary points.

I had therefore every reason to suppose that the matter was entirely in order, and I telegraphed to London as requested.

Now comes your letter asking me to warn Armstrong not to send anyone till the Majlis has passed your Bill; but it is not clear to me that, even if I complied with your request, there would be occasion for them to send one, if the law approves the engagement of American engineers to survey this and other public works which you have in view.

You will, I think, admit that the matter which I have been discussing with the Persian Government for the last eight or nine months differs very essentially from any other form of concession or contract hunting. I have been at pains to find out what the Persian Government want in this connection and to get a British firm of the highest standing and repute to carry out that work for them in conformity not only with their material requirements but also with the principles on which they have told me they wished to work. The discussion has had no confidential character, it has been open and straightforward, and, as I said before, the American Mission has throughout been cognisant of its details. Now, when the Persian Government, without any pressure whatever and acting on their own spontaneous authority, tell me that a perfectly legitimate business proposal is accepted in principle, and ask me to give effect to it, and after I have undertaken to do so to the best of my ability, I receive a request from you to call the whole thing off, coupled with an intimation at the close of your letter which suggests that, unless I comply with your request, you will take steps to block the whole enterprise.

Your request amounts to a request that I should break faith with the Persian Government. They ask me to do one thing; you ask me to do another. To them I am accredited and with them my business lies. The policy of my Government is to give what help they can, provided it be of a kind and in a form welcome to the Persian Government, in the economic reconstruction of this country. At the

very/

very moment when an enterprise corresponding to and fulfilling these conditions is agreed to in principle you ask me to strangle it.

I do not dispute the soundness in principle of your idea of co-ordinating a programme of economic reconstruction; it is, indeed, a course which I have frequently permitted myself in a friendly manner to recommend to the Persian Government. I do, however, ask whether it is fair, when your project has not even yet taken the form of a Bill laid before Parliament, to endeavor to make its operation retroactive. If I had had any foreknowledge that you contemplated such a project I should certainly have warned my Government, and our course would have doubtless been shaped so as to take it into due and friendly consideration; but whereas you have been in the light about my ideas, I have been in the dark about yours.

You ask me to treat the subject and matter of your letter under reply as confidential and as personal to our two selves for purposes of discussion. I have respected your request, and shall continue to do so unless released by you; but this stipulation on your part places me in a yet more difficult and embarrassing situation. On the one hand, it debars me from acquainting my Government with a very important consideration at a moment when they are already in communication with Armstrong and myself in regard to the practicability of giving effect to the wishes expressed to me by the Persian Government; on the other hand, it debars me from any further converse with the Persian Government on the subject at all and introduces a secret element into what has hitherto been a perfectly frank affair, which is contrary to my own practice and therefore disagreeable to me. Moreover, it deprives me of any grounds whatever vis-à-vis the Persian Government for breaking off the negotiation now engaged with Armstrong if I considered it desirable to do so.

I do/

I do not see how I can properly switch the thing off unless at the request of the Persian Government, with whom I have treated the matter throughout, as it is my duty to do. Do you not think that your recourse is rather to the Persian Government than to me?

I do not think you have ever found me backward in taking into account to the greatest possible extent your point of view, or in doing what I properly could to smooth the path of the American Mission - in fact to carry out both in the letter and the spirit the assurance given to the United States Government by my Government at the moment of the appointment of the mission. In this case, however, I do not see how I can comply with your request without failing to keep faith with the Persian Government.

I have explained the situation in which I find myself at some length because there are important issues involved. I think we had better meet, and as soon as possible, to discuss the matter, and I should be very glad if you could set aside some time tomorrow (Friday) afternoon for the purpose.

PERCY LORAINÉ.

Central File: Decimal File 891.6463, Internal Affairs Of States, Engineering., Power., Iran, Electric., June 12, 1924 - December 30, 1929. June 12, 1924 - December 30, 1929. MS Iran (Persia): Records of the U.S. Department of State, 1883-1959: Records of the Department of State Relating to Internal Affairs of Persia, 1910-1929. National Archives (United States). Archives Unbound, link.gale.com/apps/doc/SC5111373001/GDSC?u=uagm&sid=GDSC&xid=e6c24ef8&pg=80. Accessed 9 May 2021.